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The Outlook

Vol. 32
No. 1

May
12, 1923

When Doctors Disagree — The State of Business—Taking a Whack at the World Court—The Rails Again—Market Prospect

THERE has been abundant advice and suggestion of late to the business and investment community with regard to the prospects of trade and the prices of securities. This is good and should be heeded by those who are mindful of their financial future. The trouble with it is that a great deal of what has been said is contradictory and must leave the mind of the reader in deep uncertainty.

For example, the Council of the American Bankers Association, just before adjourning lately, issued resolutions in which it called for caution and conservatism, warning the community against the making of speculative loans or the undertaking of business that might seem in any way hazardous. Congratulating the country upon its prosperity, the Council nevertheless intimated that our success might be pushed too far, and that the banks themselves might undertake to advance funds which they ill could spare or which borrowers were not in position to use very widely. If one were to guide himself closely by these suggestions, he might be inclined to feel that falling off in business was soon to be expected.

One the other hand, Mr. Julius Barnes, the President of the U. S. Chamber of Commerce, sees only hopeful and even brilliant prospects, and in repeated statements has of late given his opinion that an era of enlarged demand and activity in business is opening, with special prosperity for European nations. Very similar forecasts are made by domestic observers, and on the whole the conclusion is reasonably drawn that these prophets are of the opinion that no serious obstacles to prosperity and activity of trade are to be anticipated. Such a view is certainly somewhat out of line with the evident opinions and forecasts of the bankers already referred to, as well as of various others.

The question who should decide when doctors disagree is always troublesome; but in this case there need be no serious anxiety concerning it. No disagreement exists with reference to the general conditions either in the business or investment world. We have a condition of strong demand, full employment, good wages, and large production. No prophetic power is needed to recognize the beneficial results of these "constructive factors." It is equally clear that we can overdo things, and by raising prices to a point at which goods do not move off the markets, can bring about recession. Quite certain also is the fact that any such reaction in domestic trade would find us with a very considerably limited market abroad, due to our gradual loss of ground in foreign business. There is, in all this, nothing to cause any fresh worry or to require any different point of view with respect to business policy.

What is clear is that the situation is one which demands a reasonable degree of moderation in both prices and wages. Labor can easily kill the goose that lays the golden eggs, if it now insists that advances of pay so expensive as to either cut the profit out of manufacturing or compel the producer to raise his prices to a point at which the public will not buy. To a similar effect some good advice was given by a member of the Federal Trade Commission who recently urged price-fixing associations not to overwork the market, because by so doing they would simply hurt themselves, the

higher values reacting upon demand in the familiar fashion. It would be very easy to make a breach in the prosperity outlook which could not be easily filled.

The business outlook is more than ever dependent upon the maintenance of satisfactory conditions here at home. It is quite true that we never can count upon complete employment of prosperity if foreign countries are unsuccessful or depressed, but it is also true that with things as they are, we are far more nearly masters of our own industrial future than is usual. Furthermore, there is less now to be expected from banking control or oversight than has been the case in former years. Congress is out of session and our central banking system is inactive. The next few months will furnish an interesting test of the ability of the community to "run itself," that is to say, to shape its own policies, determine its own future, and practically decide how matters are to go. Why not make it a test of common sense designed to show what the public really can do when it settles down to the practical question of dealing with an economic problem on the basis of its own intelligence?

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HOW IS BUSINESS?

RECENT figures furnished by the various reporting bureaus in answer to the perennial query, How is business, seem to show that for the moment the bloom is off the rose. It cannot be expected that every plant in the country will be constantly working up to the highest limit of capacity, with prices always at top notch and consumption at maximum. There must be some ups and downs, the main thing being to keep such changes without moderate limits and prevent them from going to extremes.

In the present instance some striking data are available, representing the trend of recent conditions. Production, according to the Federal Reserve Board, has increased since July 1921 by about 67 per cent, employment by about 28%, wholesale trade by 23%, retail trade by 15%. On the other hand prices have advanced at wholesale 15% since January 1922, while wages are up 22% and the loans and investments of leading banks have in a little more than a year past advanced about 14%.

All this makes a most encouraging showing for the growth of general business in the United States. It is a growth which may well be cut back in some branches without doing any harm, but on the contrary with benefit to the entire economic structure.

As a matter of fact, the principal danger to be apprehended in present circumstances is found simply in the failure of prices, wages, production and commodities in different groups and branches to advance in a reasonably proportionate degree as compared one with another. Failure to do so, of course, puts one group in the community at a disadvantage as compared with others and thus tends to check the free flow of goods from one element in the population to another. Following a popular form of phraseology this condition might be described as "undigested prosperity." Such real danger as there is at the present time is in that direction.

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BEDEVILING THE WORLD COURT

DISCUSSION of President Harding's plan for a World Court has taken on a new stage of activity during the past week or two, and it is now evident that the public at large is increasingly favorable to the plan. But as the idea grows in public opinion, it apparently wanes in support among the manipulators of the inner circle. Lodge comes out with an ambiguous statement predicting "reservations" and modifications, probably similar to those which vitiated the original Treaty of Versailles. Borah denounces the whole undertaking almost as a device of the Evil One. Former Senator Root approves the plan, but does so in language which apparently points to the League of Nations or something of the same sort as the ultimate result of membership in the Court, while Secretary Hughes states that any such outcome as League membership may be regarded as wholly fantastic and absurd.

The casual reader who runs through these learned disquisitions must be left with a confused mind, and suffering from the utmost doubt as to what is really to be expected. And yet the World Court proposal is a simple and businesslike way of meeting a problem which has been presented to us in a very urgent and vivid form during the past few months—that of reaching some means of settling certain important issues with foreign countries.

* * *

RAILROAD CONTROVERSY

MORE railroad controversy is now threatened as the result of presidential candidacies based upon "Government ownership," and the desire to head off such appeals to the voters. It is still uncertain just how this particular dispute will bring itself before the public mind. Some speak of it as the principal card in the hand which Secretary McAdoo is dealing himself in the presidential game, while others predict effort to anticipate any such demand through "concessions" to be made to public opinion in legislation probably to

be adopted at the coming session of Congress.

This is sheer political trifling. What public opinion demands is railway service. It wants the service as cheaply as it can get it, but it wants the service above everything else. At present, our railroad development is far behind every other phase of our economic growth, and there is little indication of its "catching up." The investor must, in some way, be assured that he will get a moderate return on his funds, or he will provide no more capital for railway development. Very much the same is true of the Government ownership situation, even though the facts are less broadly recognized. The truth is that the Treasury itself could not supply funds for railroads if the latter continued long to be run at a loss.

It will be remembered that our railroad experience during the war and the months immediately afterward cost us, according to the most conservative estimates, about $1,800,000,000, or something in the neighborhood of $650,000,000 per month. This kind of experience should never be repeated, for if attempted on a long-term basis it would speedily drive the whole country into bankruptcy. Some sort of financial common sense must be invoked, and there is reason to believe that the public understands the facts of the case better than ever before.

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END OF REFUNDING?

IF the present forecasts of Treasury policy hold good, the end of the current task of refunding will come during this month, the department putting on the market a new issue of notes running perhaps three years and amounting possibly to $500,000,000. As yet, there is no official announcement on the subject, but there remain maturities of some $775,000,000 which must be provided for either out of available funds or from new loans. When the May maturities have been taken care of, how far shall we have progressed in the matter of closing up our debt problem? Not very far, if we view the situation in any thorough and inclusive way. The immense public debt cannot be paid from incomes, except very slowly, and in this country, as in Great Britain, there has been an increasing degree of irritation due to the constant pressure of taxation. This has already culminated in England in a policy which will suspend for the present the payment of debt, and will devote the savings of cheaper administration to the cutting of taxation.

It would seem that a like policy in this country cannot be very long delayed. As things stand, there is thus little likelihood of a large surplus which can be steadily applied to debt reduction. By issuing during the past two years successive batches of certificates of indebtedness, running for short terms, the Treasury has placed itself in a position which will require the continuous refunding of such issues at future dates. Whether these issues can be refunded in the future at lower rates or not, is a matter of conjecture which cannot confidently be predicted.

* * *

SELLING THE SHIPS

A GREAT business transaction in which the Government of the United States now undertakes to engage is that of selling the fleet of some 13,000,000 tons which Mr. Lasker at the opening of his career as head of the Shipping Board described as representing the greatest commercial wreck of human history. If it was that, there is difficulty in seeing why Mr. Lasker, like the boy who stood on the burning deck, should have stuck so long to a commercial ruin. Nevertheless he has done so, and the terms on which he even now offers to sell out do not appear to be such as to lure very many buyers into the purchase of tonnage. It may easily be that he will not receive any bids whatever, and, in fact, such a situation appears to be contemplated by him, for he refers to it in published interviews as an imminent possibility.

In lieu of this sale of tonnage, it would seem that both Mr. Lasker and others now contemplate the necessity of having the Government continue throwing good money after bad by operating these vessels at a dead loss for an indefinite period of years to come. In fact, an integral feature of the bids for which the Government asks must be an agreement to run the ships over a given series of routes for a term of years to come. The efforts of the Shipping Board ignore the obvious fact that nobody is willing to pay anything for something that is to run at a loss.

* * *

MARKET PROSPECT

THE recent severe decline in prices serves to emphasize the stock market's ability to forecast business conditions. These are already beginning to show signs of deterioration.

Reckoning from the high of last October, the bear market is now seven months old. We anticipate a continuation of the declining movement and hope that our subscribers have followed the advices which have appeared in this column. If so they were successful in liquidating their long positions at the high points of October, March and April.

It is time to be long of money and patience.

Monday, May 7, 1923.

Should Our Immigration Law Be Repealed?

What the Champions of Both Sides Believe

By THEODORE M. KNAPPEN

James A. Emery

"America is the loser by a merely negative policy of arbitrary prohibition under the guise of restriction. It would be infinitely the gainer by a practical and constructive policy of selective immigration."

IN 1921, Congress all but terminated a population movement that was for more than 75 years one of the greatest economic factors in the industrial expansion of America, which also profoundly affected the economic life of Europe. Immigration from the old world countries—regardless of offsetting emigration—is now restricted to 358,000 a year, being 3 per cent of the persons originating in those countries who were resident in the United States in 1910.

As prosperity has returned with a rush in the last twelve months, almost every industry has felt the pinch of labor shortage, due to the enforced absence of the hordes of laborers that formerly swarmed into the United States with each rising tide of prosperity. Judge Gary and many other leading industrialists have expressed great apprehension concerning the cramping effect on industry.

In view of the apparently settled conviction of Congress and the public that the preservation of the national character and type demands that henceforth immigration must be carefully controlled, the only practical aspect of the problem is, what shall be the degree and process of restriction? Employers, generally, feel that the permissible number should be larger, under some selective system. Labor organizations, sociologists, philanthropists, and unbelievers in the melting pot idealism favor the present, if not a greater, degree of restriction, with or without a selective as well as a numerical limitation.

In the following statements Congressman Albert Johnson, of Washington, author of the present immigration law; and James A. Emery, counsel of the National Association of Manufacturers present the divergent views of the immigration problem. Mr. Johnson's statement, it should be noted, was obtained in the course of an interview with the writer.

Law Should Be More Flexible!

Industry Loses From Rigid System of Today

By JAMES A. EMERY

Counsel, Nat'l Assn. of Manufacturers

"UNRESTRICTED immigration" is not an issue. It is as dead as Tutankhamen. **The issue is between a definite constructive policy of selective immigration under the guise of restriction.**

Economically, the rapid material development of the United States has taken place, with immigrant labor supplementing the native supply, particularly for what may be termed the rougher tasks, the performance of which is indispensable to the continued operation of the basic industries. Despite rapid mechanical improvement, the full time employment of skilled labor is largely dependent in basic manufacture, construction and transportation upon the service of manual labor, the primary class from which the higher forms are continually recruited by promotion through capacity, training, character and demonstrated merit. The 3% restriction act, taking no account of emigration cancelling immigration, has resulted in a condition which permits, in the absence of any practical selective process, slight gains in commercial workers, accompanied by a net loss in producing labor. If quotas were fixed in net terms, permissible immigration would be definitely calculable.

Secondly, is it a wise policy to change over night from long continuing economic reliance upon a supplemental labor supply to arbitrary stoppage of its flow, in the face of a rising demand for every form of production, and without the slightest flexibility in the law which permits any modification of its unbending terms to any continuous and demonstrated need? I say arbitrary because the quotas bear no relation to the demonstrated efficiency of the restriction demanded. For example, the 3% limitation applies in all its severity to the foundation races which established this commonwealth, while it does not apply to Mexico or South America. The more intelligent and thrifty the race, the less likely are its members to undertake a journey to America, with multiplied costs of transportation and the uncertainty of admission on arrival.

The inevitable result of practical prohibition is to incite a flow to industry from the farm, thus steadily increasing the basic costs of agricultural production. No permission is given to invite or stimulate the higher type of the European agriculturalist. Indeed that, too, is penalized. Canada, to the North, is offering special inducements to the most skilled European farmers to settle upon their cheap and rich lands there to compete with the American food and material producer. Surely, sound public policy compelling a revolutionary change requires some shock absorber to permit flexible adjustment to the new circumstances it seeks to create. But nothing of the kind is contained in the restriction act.

"The immediate gain from an over-supply of cheap labor is not worth the future cost. . . . The time will come soon when the United States for its own good will have to contain a homogeneous people, which we can never be if we again admit immigrants beyond our power of assimilation."

HON. ALBERT JOHNSON

Neither is it accompanied by any systematic policy through which the national government seeks to assemble, analyze and distribute accurate information respecting the economic needs and opportunities of the respective States, in cooperation with their authorities, or private effort. No practical plan is proposed for the preparation or instruction of the aliens in our midst. Successful Americanization requires cooperation between the national and private effort. Federal judges make citizens but only the people among whom they live incite the desire and assure their transformation into Americans.

It is plausibly stated that the manufacturer is interested only in "cheap labor." Waste in industry is lessened only by the intelligent and sympathetic cooperation of management and operatives. The former wants cheap producing costs, not low wages. That is, he wants increasing efficiency from each producer. That is obtainable only through superior intelligence and goodwill, with higher earnings for superior production. "Cheap labor" is therefore that which is capable of the highest earning capacity.

Who has a greater stake in the quality of citizenship than the man with an investment, be it small or large? The quality of public action depends upon the knowledge and character of the electorate. **Industrial management has more at stake in improving the quality of citizenship than any other because it has more at risk if that were to be expressed in material terms.**

The public at large is deeply concerned in a policy of prohibition which makes no distinction except in arbitrary numbers between the immigrant who is a real addition to the wealth and strength of the United States and desires to incorporate himself in it and the immigrant who is not. It gains not by mere denial but by practical selection which determines who is to be admitted before he embarks, and when he arrives presents him with real knowledge of the country's needs, registers him that it may identify him, persuasively distributes him through intelligent direction, asserts its right to instruct him in preparation for citizenship during the period of his alienage, and when it bestows citizenship does so in a manner that impresses him with the privilege he has received.

American labor makes no real gain through a condition which, destroying any reasonable relation between labor needs and labor supply, increases nominal wages without increasing production, and starts a race between wages and prices which excite only the discontent and dissatisfaction of the buyer and seller of commodities to the demoralization of both the economic and the social structure.

America is the loser by a merely negative policy of arbitray prohibition under the guise of restriction. It would be infinitely the gainer by a practical and constructive policy of selective immigration.

Not a Pocketbook Problem!

Quality of Our Citizenship Should Be Determining Factor

By HON. ALBERT JOHNSON

Chairman, House Committee on Immigration

"THE discretionary 2 per cent immigration rule which the United States Chamber of Commerce proposes as an addition to the present quota law is unsafe. It would mean a gross immigration of 600,000 a year, and probably would not bring in 150,000 farmers and laborers. If the extra 2 per cent should be farmers and laborers only, we later would be met with the demand for the admission of their relatives, which if granted would quickly send our annual immigration up to a million or more.

"In my opinion, the people of the United States, including the newly arrived, are of the opinion that a million immigrants a year, net, which is what we were getting prior to the World War, are too many—three times more than we can accommodate annually or even employ regularly.

"The care of the aliens in the State institutions (not including county jails and poor houses) costs 3½ per cent of all the money raised by the States. The care of the children of foreign born in these institutions costs another 3 per cent. New York State's bill for the care of its defective and delinquent alien population is terrific, and leading citizens of that State argue continually that the United States should pay the bill; that the insane and feeble-minded aliens are not citizens of the State, but should be the wards of the United States.

Some Should Be Deported

"The truth of the matter is that the States, in many years, do not seem to recognize their rights in regard to deportation. There are thousands of deportable aliens in the State institutions, and many of these could be sent by the States straight to Ellis Island. Then the United States Government, whether or not the money had been appropriated for deportation purposes, would have to get busy.

"No matter how badly we need labor in our present over-time spurt, we should not listen to Mussolini's appeal that we take off his hands the Italians that he considers undesirable. Neither should we take any alien from any country that tries to make the selection for us. We had to protest against Roumania's giving passports only to those it desired to unload on us. Our statistics show that Serbia (the old area) has been doing a fancy job of dumping on us in the past, for its people exceed the average in our institutions by about 700 per cent.

"I want industry to hold at high speed, but not at dangerous speed; and in my opinion the ill effects of a labor shortage and high pay upon (*Please turn to page 92*)

Is The Bull Market Over?

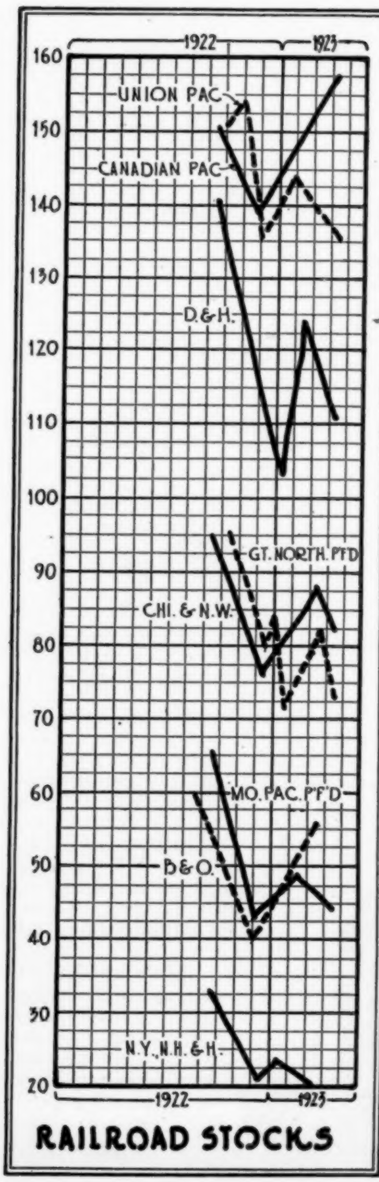
How An Illusion Was Created in the Market

By RICHARD D. WYCKOFF

Note.—The appended graphs are based on figures as of April 28. Subsequent declines in the market have altered the final figures considerably. Incidentally, the stock market decline since April 28 is striking proof of the soundness of the author's view of the position of the market.

IN a recent issue we referred to a number of stocks that have lately sold lower than their low points of 1921. This brings to mind the fact that a great number of contrary movements have been going on in the market for the past year. It is a very unusual occurrence to find so many issues thus recording new low points while the general market is not far from its extreme high, but it is more unusual to find that during a recent session a dozen or more stocks were making new lows, while fifteen or twenty were making new highs—on the same day, mind you.

One does not actually realize how much of this has been recorded until he makes a little picture of some of the fluctuations. Such a story is also extremely valuable in observing how the market discounts favorable conditions many months in advance of their realization.



Railroad Market Action Disappointing

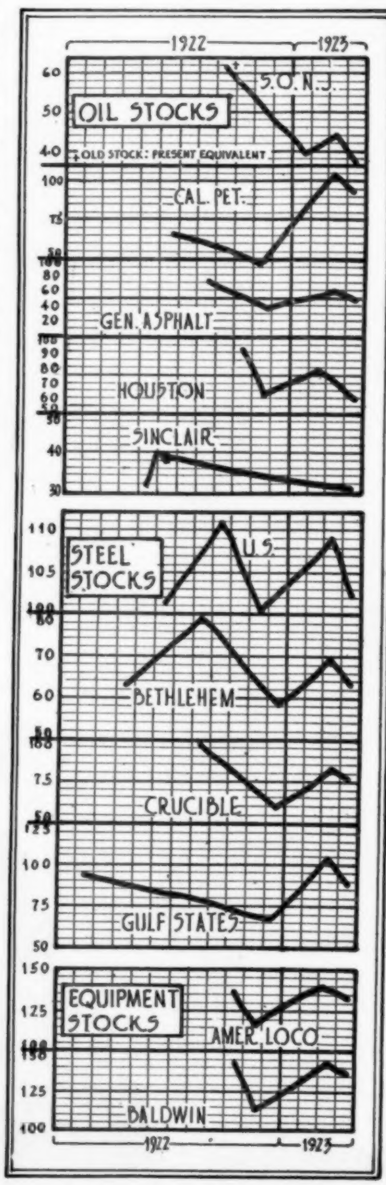
The railroad stocks are now doing the greatest business in their history, but the high prices for rail stocks were made last fall when the average of twenty-five rails touched 70. These averages have since declined to 59 and are now about 61. Many railroad companies are earning far more than they did last year, but the rails as a group are still not far away from their depression lows (1921). Big earnings and the record car loadings do not bring in new stock buyers sufficient to put prices back to their former highs.

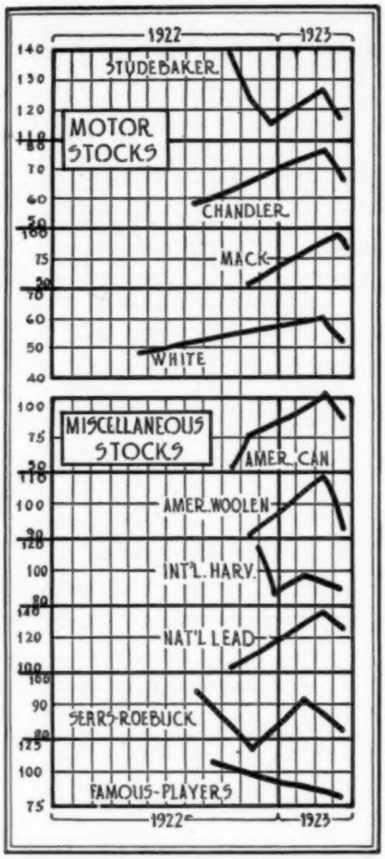
Among individual stocks, CANADIAN PACIFIC is one of the big issues that has gone into new high territory, touching 160 about the middle of April. (See graph.) Meanwhile, UNION PACIFIC, another leading rail, now selling at 135, is 19 points below its high of 154 last autumn where it was apparently well distributed above 150. BALTIMORE & OHIO, a non-dividend payer, sold at 60 on its prospects in August, 1922; declined to 39 in December, and in March sold at 56. CHICAGO & NORTHWESTERN, well accumulated through the depression at between 60 and 70, sold at 95 in September, has since declined to 76, rallied to 88 and is now 78. Violent gyrations for a staid old investment stock, one might say.

DELAWARE & HUDSON sold some months ago at 141, but in January of this year declined to 103; after which it rallied to 124 and is now back to about 112—a 9% stock selling suspiciously low. GREAT NORTHERN preferred, now 72, sold freely at 95 seven months ago; yet no one will deny that GREAT NORTHERN'S affairs are picking up. NORTHERN PACIFIC, too, sold at 90; has since been down to 72; is now 73. Meanwhile, NEW HAVEN, which touched 35 about a year ago, has steadily slid off to 18 and is now hanging about one point above its low.

A few of the non-dividend payers displayed symptoms of entering the dividend ranks and crept up a little. Others which promised to become dividend payers have failed to make good. MISSOURI PACIFIC preferred, for instance, which sold at 63 in September has declined over twenty points.

Among the steels: There has been a trading market in U. S. STEEL, the movements of that stock being confined within a ten-point range, from 101 to 111, for over six months. That is a long time for a leading speculative and investment issue to remain within such narrow limits. The other steels have not acted that way at all. A year ago BETHLEHEM STEEL was selling at 63 and is now about 60. Dur-





ing the summer and fall it ranged from 70 to 79, mostly about 75. With steel earnings now rolling up at a tremendous rate; with its new subsidiaries all loaded down with business; with the stock selling forty points below its big competitor while paying the same rate of dividend, it has declined from above 75 to 58, rallied to 70, and is now 60. Yet some people say there has been a bull market in the steels.

This might be true of CRUCIBLE, but investigation shows that several months ago it was selling at 98; that during the October-November decline it touched 59; then it advanced to 84; declined to 77, and is now 69. GULF STATES last February was 94; then it went to 68; in March it made 104. It is now 85, representing no exception to the average run of steel stocks. REPUBLIC on May 1, 1922, sold at 62. On expectation that it would be included in a steel merger, it recorded 78. In the fall liquidation, 44 was the low. In March, this year, it made 65 and is now 53, lower than where it was a year ago.

The above indicates that the steel stocks have been having bull and bear markets of their own—sometimes contrary to the general trend, but certainly presenting ample evidence that much of the present bullish situation was foreseen and perhaps discounted in the high prices of last fall.

The Leading Oils

The STANDARD OILS, of course made their record highs when STANDARD OF NEW JERSEY, old stock, sold at 250, and the other STANDARDS were making high points just before or a little after that time. Some of the independents, however, have done their best this spring. CALIFORNIA PETROLEUM sold at 65, declined to 46 in November, then climbed to 104 in March. It is now 87. GENERAL ASPHALT eight months ago was selling at 70. It has since sold as low as 38, up to 54, and is now 41. HOUSTON OIL last fall was 91; sold down to 62, up to 79, and is now 53.

A year ago PACIFIC OIL was selling at 69. It is now 38, without actual change in dividend rate. PAN AMERICAN since last fall has had a thirty-five point rise, allowing for its stock dividends. Meanwhile, two of the largest companies have been confined to narrow fluctuations: SINCLAIR about eight points—31 to 39—and TEXAS CO. six points—46 to 52.

Among the Equipments

AMERICAN LOCOMOTIVE had a number of fairly wide swings from a high of 136 in October to 116 in November, up again to 139 in March. It now stands at 126. BALDWIN fell from 142 to 114, rose to 144, and is now 128, with many intermediate swings of several points

The Motor and Miscellaneous Industrials

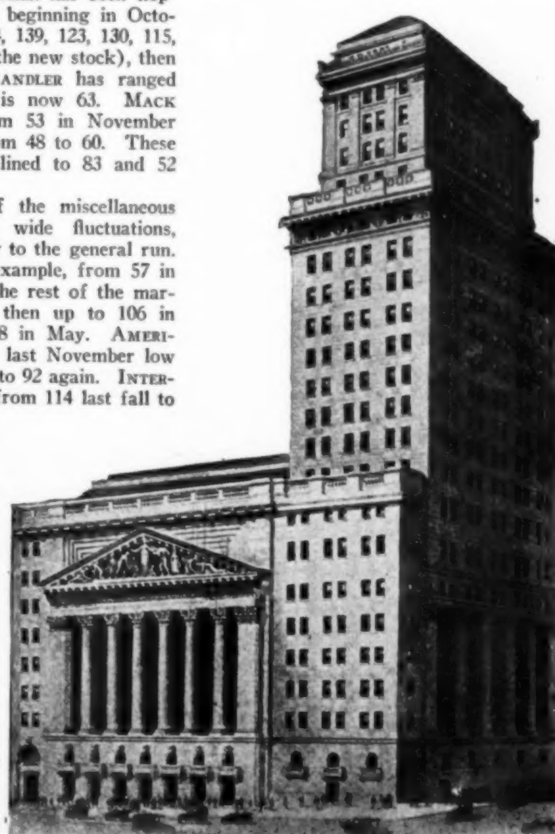
While GENERAL MOTORS has risen only three points—from 14 to 17—in an eight-month period, STUDEBAKER has been flopping around like this, beginning in October: 139, 123, 134, 124, 139, 123, 130, 115, 140 (equal to 113 for the new stock), then to 126 and 115. CHANDLER has ranged from 58 to 76, and is now 63. MACK TRUCK has risen from 53 in November to 94, and WHITE from 48 to 60. These stocks have since declined to 83 and 52 respectively.

Meanwhile some of the miscellaneous stocks show equally wide fluctuations, some of them contrary to the general run. AMERICAN CAN, for example, from 57 in October to 76, while the rest of the market was very weak; then up to 106 in March and back to 88 in May. AMERICAN WOOLEN from its last November low of 91 to 109 and back to 92 again. INTERNATIONAL HARVESTER from 114 last fall to 87, up to 98, and back to 89. NATIONAL LEAD, a strong stock in a weak market last fall, from 103 to 136 and back to 122. SEARS ROEBUCK from 94 to 77, up to 92, back to 81. FAMOUS PLAYERS from 107 to 87 at a time when the general list was advancing. The stock is now at about 82.

Conclusion

Are not these examples sufficient to show that the market fluctuations of the past several months have greatly lacked uniformity, some stocks rising while others were declining, and many issues working contrary to the general group movements? The fact is the Stock Exchange list is now composed of such a wide variety of stocks, representing divers industries, that for the past several months the greatest success has been attained by those who were willing to disregard the action of the market as a whole and work in harmony with the individual trends.

The most impressive point about the whole subject is found in the fact that such a large number of stocks made their highs last autumn, and while most people have the impression that there has been a bull market since that time, facts and figures point to the contrary. There is much evidence that the heavy distribution of last fall, and which resulted in the October-November break, represented the efforts of large operators to anticipate and discount the business conditions which are now prevailing throughout the country. This is in accordance with what may be called the market's usual habit of looking 'way ahead and registering a little better than the best that is likely to happen in the leading speculative and investment shares. The reason the market is not now boiling upward toward the highest points in the whole big up-swing, is that present business conditions were all included in the market picture which was painted during the high points of September-October last.



The New York Stock Exchange

How to Lose Money in Stocks

Secrets of Some of Our Best-Known Failures Exposed—Detailed Instructions on Procedure

By MAX GOLDSTEIN

(Illustrated by Art Helfant)

Losing money can be made an art

THE trouble with most people who lose money in Wall Street is that they go about it in such a careless, haphazard sort of way. They gather a tip here, a rumor there, drop a few hundreds or a few thousands, and then forget all about it until the next time. Now this is all very well in its way, but if you are after really big, worthwhile losses, you will never get them by any such methods. Losing money in stocks can be made an art, or still better, an exact science, but only by following certain strict rules and well-defined methods of procedure.

The first thing that the ambitious prospective loser should do is to provide himself with a lot of statistical information, preferably the stuff that is handed out free. If he will write for a solid week to certain advertisers in the financial section of some of our great metropolitan dailies who offer circulars or market letters, he will in a short time have the makings of a wonderful financial library, automatically kept up to date.

When he has completely realized that business is in for the biggest boom on record, that business is headed for the bow-wows, that the railroads are making money hand over fist but are afraid to show it, that the railroads are not earning fixed charges but are padding their income accounts to make a good showing, that Steel common should be bought on a scale up every eighth point, that Steel common is a good short sale every Tuesday and Thursday at 1.39 P.M. (Eastern time), and similar relevant facts, he will be in a fit state of mind to go on to the next step in a "good loser's" career.

Charts Are Indispensable

The next step is to keep charts of his own, as it is a well-known fact that the ordinary statistical sources are never complete enough. The only way to beat the game in Wall Street is to keep charts—this any of the congregation who sun themselves on the front steps of brokerage offices will assure him. He should, therefore, keep, together with the price and volume sales of three hundred and ninety-four leading stocks, comparative graphs of such vital statistics as the production of pumpernickel in Pennsylvania, or the consumption of cocoanuts in Kansas.

This information should be kept in a form resembling the "Decline and Fall of the Roman Empire." Plain-line graphs are out of fashion; they should be adorned with cross-hatchings, bars, hooks and eyes, dotted quarter-notes, grace notes, and other tasteful decorations.

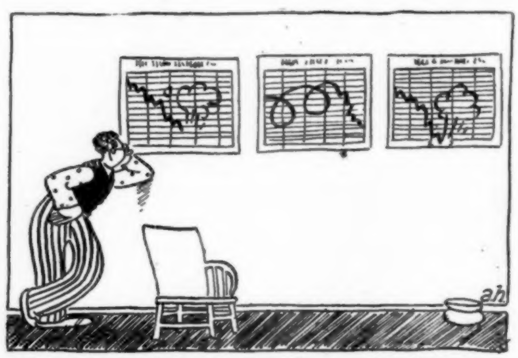
Armed with this trusty roll of parchment, our hopeful loser can now approach his real task. At this point it cannot be too strongly emphasized that most stock-market losers do not spend nearly enough time at the ticker.

They think they can pile up real losses by coming down to their offices at half past nine or ten, looking over the correspondence for an hour, taking a walk to the nearest ticker, spending an hour or two there, going out for lunch, back to the ticker, and back to the office at three. This will never do. Some of them never get down to the ticker, till a quarter after ten or half past, thereby losing all manner of opportunities for unsuccessful trades. A really skillful loser can switch his position back and forth a dozen times, and lose money on each trade, before the first hour is up.

This Should Be Avoided

This leads us to another reason why many men, destined by Providence to be losers, do not successfully carry out their mission. They pick a certain position in the market, stick to it, and sometimes for weeks at a stretch they even show *no losses at all.* The scientific loser will make no such mistake. He will not buy until he sees that a real buying movement is on, when he will join it at the top. Once having bought, however, he will take the first best opportunity to sell out at a loss, and vice versa with his short sales.

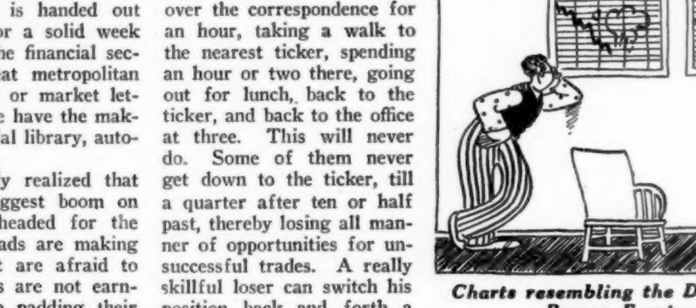
A word of advice might be profitable (beg pardon—we didn't mean to say that) in this connection. When selling short, the conscientious loser should always make sure that he is short of a stock with a small floating supply, and tightly held by a few individuals, preferably officers or directors of the corporation in question. If he avoids these precautions, he may find himself short for months without being cornered, and, as everybody knows, there is no loss like the loss of a short in a corner.



Charts resembling the Decline and Fall of the Roman Empire are essential

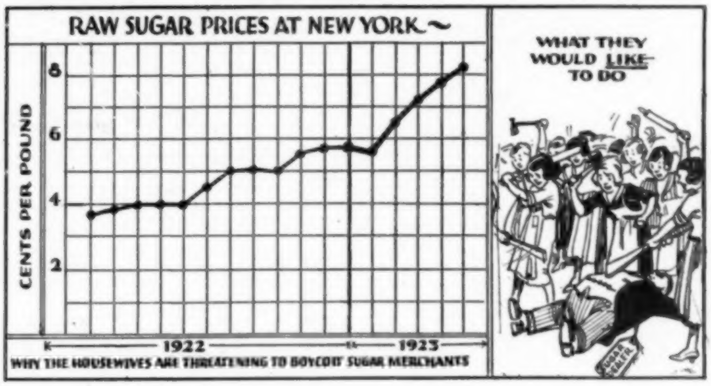
So much will serve as a brief guide to methods of losing money on the stock market. But our loser may be of a temperamental character, and not be willing to wait the weeks and months that are sometimes necessary to achieve respectable losses on the Stock Exchange. Or again, he may be hung up in a bull market for an indefinite period, where the only way he can lose money is by going short, and even then he might be caught in a temporary reaction which would show him a profit. If he wants quicker action and a medium for losing money that works in all markets, bull or bear, rain or shine, he must adopt a radically different procedure.

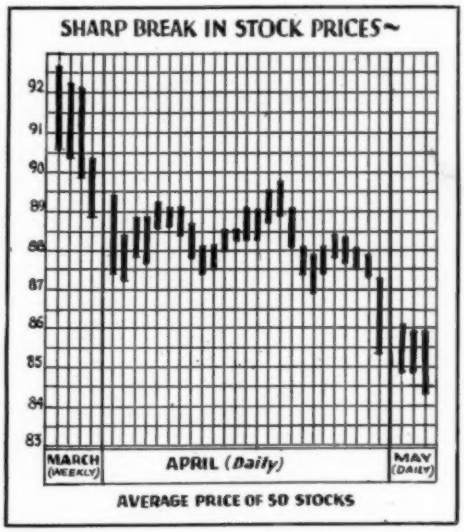
The first step is to get his name put on the "sucker lists" of a number of bucket shops or near-bucket shops. These can be easily recognized (*Please turn to page 75*)



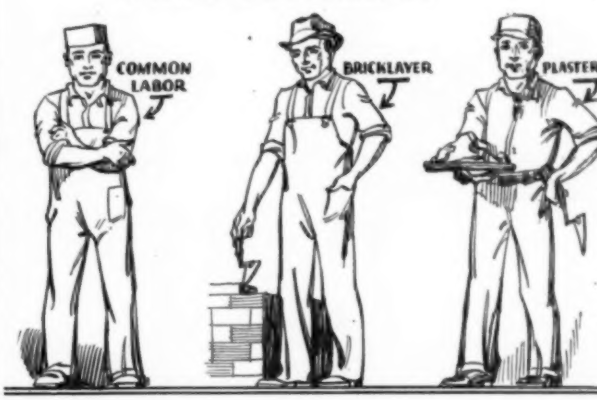
Get your name on a bucket shop list—then wait for the circulars to pour in

Features of Current Finance





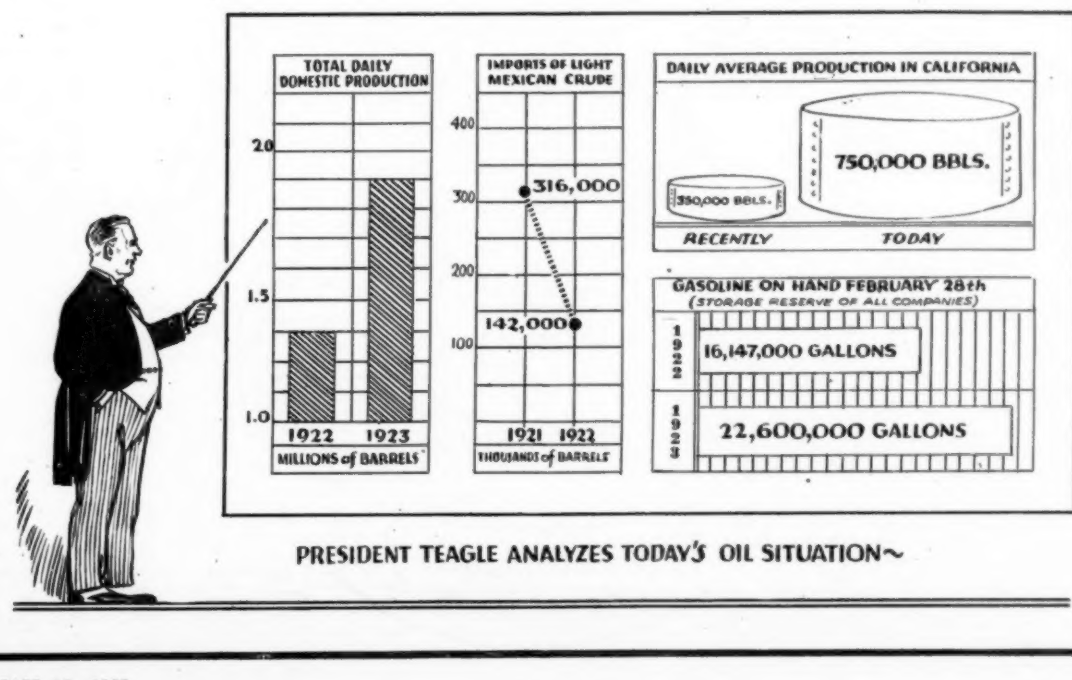
OUR NEW ARISTOCRACY!



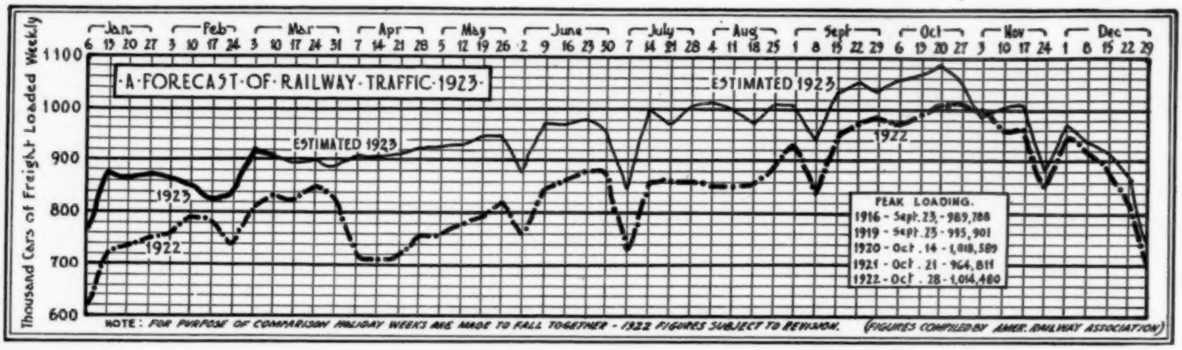
THIS CLASS TODAY EARNS FROM $6. TO $8. PER DAY

THIS CLASS EARNS FROM $12. TO $14. DAILY

AND THIS CLASS RECEIVES FROM $18. TO $20. DAILY



PRESIDENT TEAGLE ANALYZES TODAY'S OIL SITUATION~



A Billion for Railroad Improvements!

The Meaning to Industry of a Billion Dollar Investment in Railroad Equipment

By GEORGE M. BRANTING

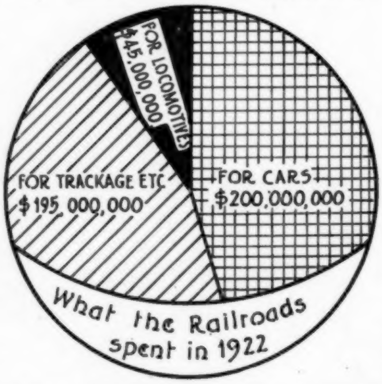
THE Railroads this year have planned an investment of over one billion dollars in the good-will of the American public.

True, the money will really go into freight cars, passenger cars, locomotives, rails, ties and the hundreds of other things the carriers need to keep moving. True, this will ultimately mean bigger business for the railroads and bigger profits for them, but don't think for a minute that that's all the roads have in mind by making such vast expenditures as they have planned for 1923. Back of all this, is the genuine desire of the chastened railroad executive to make friends with his public, to give it the best service of a generation and to act, in general, as a conscientious and devoted public servant.

Profiting from Past Lessons

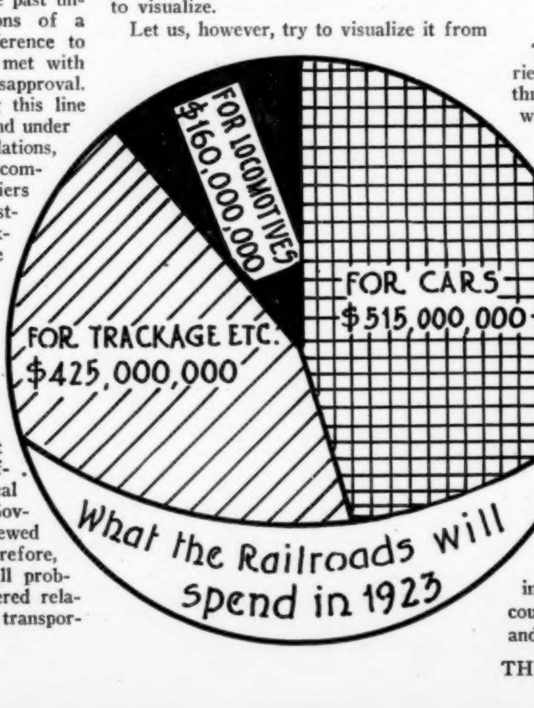
This was not always the case, to be sure. Railroad officialdom in the past unfortunately has given indications of a more or less supercilious indifference to public needs that at times has met with a merited outburst of general disapproval. But its many experiences along this line have given it food for thought and under the influence of their past tribulations, not to speak of their fear of the coming radical attack on the carriers under the leadership of the Western senators, most railroad executives have agreed that the time has come to show the American public that it can rely upon the railroads, as presently constituted, to do their part of the job

Furthermore, it is worth noting that the billion dollars and more that will be spent this year for railroad improvement will go a long way toward offsetting the attempts of the radical bloc to place the carriers under Government control once more. Viewed from a railroad viewpoint, therefore, this billion-dollar investment will probably bring large returns in bettered relations between the public and our transportation systems.



From a social and industrial viewpoint, it will also bring large returns. Accustomed as we are in these days to big amounts, a billion dollars is still difficult to visualize.

Let us, however, try to visualize it from the viewpoint of what the spending of such a stupendous amount will do for people. For example, as the railroads plan to spend it, this billion dollars will go toward the manufacture in 1923 of 120,000 freight cars, nearly 3,000 locomotives and many millions of tons of rails, ties and other materials that is used on right of way.



In the manufacture of these cars, locomotives, rails, etc., many hundreds of thousands of men are employed. It gives employment where a year ago there was none. It gives, it is hoped, adequate wages, and the wages go toward buying the necessities and comforts of life. And where this man spends he too gives employment. Every suit that he buys for himself, every dress that his wife gets and every toy that his wages will buy for his children means employment for workers in other industries.

Hard on the Reds

Thus the billion dollars that the carriers are spending is giving employment throughout the land. And, incidentally, where it is easy to get a job and at good wages at that, it is difficult to plant the seed of Bolshevism. So much, therefore, for the social implications of the spending of a billion dollars.

Now, let us see what it does industrially. In the first place, before you can have freight cars and locomotives, you've got to have steel and lumber, and if you are a maker of locomotives or freight cars you've got to buy your steel from the steel companies and lumber from the lumber manufacturers. That means profits for the steel and lumber people as well as to you, who make railroad equipment. Furthermore, because you employ many thousands of laborers, in the aggregate, and pay them reasonable wages you have increased the purchasing power of the country by that much, so that Tom, Dick and Harry—and their wives—are able to

buy many things they would like to have and have had to do without for a while. Consequently you indirectly make profits for the automobile and tire manufacturers, the textile plants, the movie houses, the farmer and everybody else as well as yourself.

Now that is what the spending of over a billion dollars for railroad equipment means. It has other implications too. It means that railroad service will be made much more efficient. It means that if you have to ship a carload of shoes from Brooklyn to Indianapolis you may expect it to reach its point of destination at a definite time. That will give you an opportunity to turn your capital more rapidly and in the long run will make for you larger and more dependable profits.

Finally, when the peak season for railroad haulings comes along some time during the fall, it will find the carriers in a fine position to handle the expected traffic. And make no mistake about it, that traffic is going to be heavy, very heavy. And, by the way, if you are interested in charts look at the top of the first page of this article and you will see what is expected along this line this year.

Thank La Follette

As a business man, you will be heartened by this. You will be encouraged in the belief that business will continue good for some time to come. For this, to a large extent, you have the railroads to thank and, maybe, strangely enough, Senator La Follette and the other radicals who seem to have spurred the railroads into action. No matter what the reason, however, the buying is there and the country is going to be prosperous for a while yet.

Does that then mean that you are to rush out and buy stocks blindly? It does not, for that, as the story goes, is another matter which, incidentally, is fully explained elsewhere in this issue.

Sun Spots and Stocks

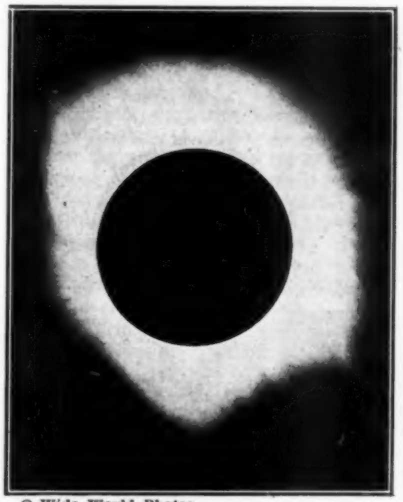
Following the Chain of Cause and Effect From the Market Back to the Soil

By M. G. HARDY

THE idea of cycles of prosperity and depression, of bull and bear markets, which is now taken for granted as part of the mental equipment of every intelligent student of the market, is really not so very old. As applied to general business conditions, the idea has been worked out only in the past hundred years; as far as the stock market in particular is concerned, only in the past thirty or forty.

In its simplest form, the theory states that business does not advance in a straight line, but has ups and downs at fairly regular intervals, a very big "up" which is called a boom, and a very big "down" called a panic or crisis every four or seven or thirty-three years, according to different theorists. The stock market, which measures the value of papers representing participation in the profits of business, naturally also goes through these fluctuations, whether six months to a year ahead, as some hold, or simultaneously, according to others.

Once this has been settled, the next question is: If stock-market prices depend on fluctuations in business, what makes business fluctuate? Here the learned doctors disagree with a thoroughness that may well amaze the layman who imagines that economics is a science of well-established facts and principles. To quote only some of the modern writers mentioned by W. C. Mitchell in his study on "Business Cycles," Beveridge ascribes crises to industrial competition, May to the disproportion between the increase in wages and in productivity, Hobson to over-saving, Aftalion to the diminishing marginal utility of an increasing supply of commodities, Bouniatian to over-capitalization, Spiethoff to overproduction of industrial equipment and underproduction of complementary goods, Hull to high costs of construction, Lescure to declining prospects of profits, Veblen to a discrepancy between anticipated profits and current capitalization, etc., and then goes on to a number of others.



© Wide World Photos.

Don't strain your eyes looking for the sun-spots on this picture. There aren't any. Eclipses have a certain connection with sun-spots, however, and, besides, the picture is quite attractive, you'll admit.

Where such authorities disagree, it would be foolhardy for a mere mortal to step in. One point of view may be brought out, however, which has its meaning for the student of the market.

It is evident that in the last analysis all wealth comes from the soil, and more than from any other source, from agriculture. With all the industrialization that this country has gone through, the raising of crops still remains the biggest single industry in the country. It employs the most people, and the value of its products is the greatest.

When agriculture is in a slump, the purchasing power of the largest single segment of the population is reduced, the industries that exist to provide them with consumable commodities languish, the industries that exist to provide other industries with materials in turn languish, and the slow tempo thus created is communicated to the whole of the economic system. When farming flourishes, on the other hand, the farmer buys a piano, the piano-maker buys wood, the lumberman buys machinery, the machinery manufacturer buys steel, the steel-maker buys coal, and so the new life spreads from vein to vein of the body economic.

The Rainfall Theory

It is clear, therefore, that if we can find something that regularly causes fluctuations in the prosperity of the farming community, we are well on the way toward finding what causes fluctuations in business prosperity, and in turn what causes fluctuations in the stock market. Many reputable economists believe they have found this in the cyclical variations in rainfall which, they reason, have their effect on crop yields and consequently on the prosperity of the farmer. Rainfall variations take place in great swings of thirty-three years apiece, which have smaller eight-year cycles within them. These have been found by actual statistical examination notably by Prof. Henry L. Moore, to determine pretty closely the cycles of prosperity and depression.

An older economist of high renown, Prof. W. S. Jevons, has worked out a theory that beats Prof. Moore's. He goes back of the crops, back of the rainfall, to the electric tension of the atmosphere which in turn depends on the periodical appearance of sun-spots. The latter are known to be active centers of electric energy, as shown by the fact that they cause electric storms, disrupt telegraph and telephone wires, interfere with magnetic apparatus, etc. How seriously one is to take such analyses, apart from the very plausible evidence that goes with them, is a question for the individual conscience of the market student.

This suggests a line of thought which may be of interest. We hear a good deal nowadays about stabilizing business—improving efficiency, eliminating undue speculation, making banking system more flexible, and the like. But if the previous analysis is right, the fundamental reason for business and stock-market fluctuations is something in the hands of Nature itself, which no amount of human tinkering can change. More than that—improvements in the technical apparatus of business, in methods of distribution, in banking, in organization, in elimination of inefficiency, may raise the whole level of business to a higher plane, but they will not get rid of fluctuations above and below that plane, which alone are the point at issue.

Foreign Trade and Securities

Why Europe is Buying American Securities

The Chief Source of Buying Orders—What it Means to Holders of High-Grade Securities

By MARTIN GOLDEN

THAT Europe has reentered the market for American securities on a large scale in the past few months is a matter of fairly general knowledge in financial circles by this time. To give this information practical value, however, one must know where the buying orders come from, why they come, what the probabilities are of a continuance or increase of this momevent, what classes of securities are preferred, and whether the present buyers are permanent investors or are likely to resell within the near future.

Unlooked for Results

An investigation of this question among prominent international bankers has led to some unexpected results. In the first place, contrary to the opinion expressed in most general discussions of the subject, the revival of European buying has little to do with the recovery in sterling exchange, as a relatively small part of it originates in England. **It can be authoritatively stated that the major part of recent European buying has had its origin in Germany,** although much of it has been transacted ostensibly on behalf of Dutch, Swiss, Scandinavian and other banks.

While it is not always possible to trace back the origin of an individual buying order coming from a European bank, still as groups they show certain characteristics which are significant to the trained international banker. Genuine Dutch buying of American securities, for instance, has in the past been marked by a preference for the low-priced speculative rails, which have usually been chosen with rare discrimination. The present wave of buying orders from Dutch banks, however, includes an unusually small percentage of this kind of purchase.

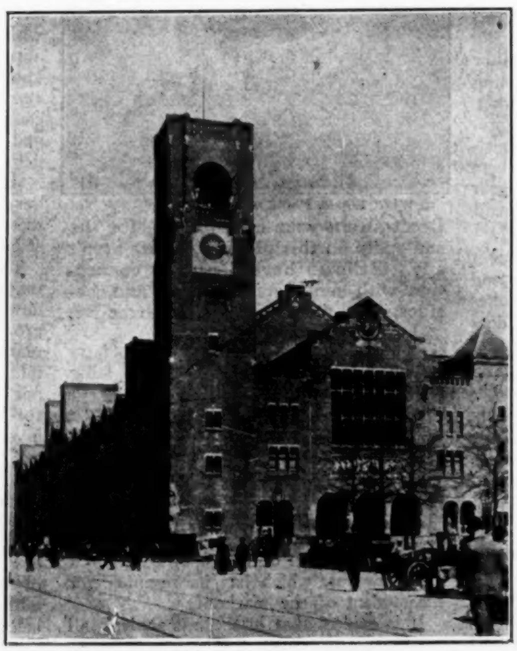
At the same time, by inspection and comparison of the purely banking statistics of the foreign banks, such as their deposits, rates of interest, amounts of foreign "Loro" accounts, and the like, it is possible for the banker to determine with a high degree of accuracy the general nature and source of the buying orders it receives from its foreign correspondents.

A Change in Foreign Buying

It is clear, therefore, that the nature of foreign buying of American securities has changed radically since pre-war days. Before the war, American bonds and stocks were bought freely because they represented the wealth of a growing country, rich in natural and industrial resources, but short of capital because of its rapid expansion; the earning power and the security behind them was constantly increasing, and the general level of yields obtainable from American investments was relatively higher than that prevailing on European securities, reflecting the comparative scarcity of capital on this side and the comparative abundance of capital seeking investment on the other.

Now the picture has changed decidedly. America, instead of being a great absorber of capital, has now an excess capital problem of its own, and its money is competing with European money in the search for investments. At the same time, the sources of new capital in most European countries have been dried up: by vanishing export markets, in the case of England; by the heavy demands of Government short-time borrowing, in the case of France and by the fear of further depreciation of mark currency and securities and paper involving marks, in that of Germany.

The motives of the different kinds of buyers are, therefore, very different, and correspondingly their influence on the American securities market. An Englishman buys in the hope of getting a better investment; a Frenchman, as an alternative to investing in the securities of his own Government, and a German, in sheer desperation because of the lack of security at home.



AMSTERDAM STOCK EXCHANGE

An Emergency Situation

It is, therefore, evident that, whereas the European investments in American securities before the war were of a more or less permanent nature, and really involved the development of America by the help of foreign capital, at the present time such purchases are all of a more or less temporary nature, being caused by emergency conditions in the home country of the investor.

For this reason the effect of the present wave of European buying should not be overestimated. It is true that this buying has become more pronounced in the last six months than at any time in recent years, but it is still not up to pre-war dimensions.

More important, perhaps, the very nature of the buying has changed. Just as America, no longer needing foreign capital to develop its resources, has entered the world's investment fields as a capitalist-creditor, so Europe has changed its status, and, speaking generally, needs capital to restore its industries, pay off its debt, stabilize its currency, and finance further expansion. European investment in America is,

therefore, fundamentally an anomaly and a paradox, against the main stream of the economic trend, which is a flow of capital from America outwards, and not from foreign countries to America, and so is bound to be of an irregular and temporary nature, with a possibility of heavy resales in the event of any serious change in the situation.

A sharp reversal of the present trend of industry in this country, a sudden improvement in the business situation abroad, a definitive settlement of reparations, the Near Eastern question, Russia, currency stabilization, budget balancing, any one of these factors could cause a sharp swing about in the flow of European capital to America and weaken our markets through the sharp dumping of our securities back on our investors by the present European buyers.

Every Market Reached

The tide of European investment in America has touched every variety of security, ranging from time deposits through Government and municipal bonds, high-grade and speculative railroad and industrial bonds, and stocks ranging from the high-grade to the extremely speculative. It is important, however, that most of this buying has been concentrated in the higher-grade divisions of the various types of securities, so that the more speculative classes have been relatively unaffected by the European investment demand.

This indicates strongly that the main concern of the new type of European investor is security and liquidity, a conclusion confirmed by the German origin of most of these purchases. This is exactly the kind of buying that one could expect in an emergency, as distinguished from purchases for permanent investment; the investor wants to be in a position where he is in no danger of losing his capital, and where he can get rid of his investment in a hurry any time he wants to.

The old-fashioned European investor in American securities, of whom the Dutch are as good an example as any, were perfectly willing to buy something that would take years to show profits, such as United States Steel common in the early years, or going further back, Pennsylvania Railroad bonds before they had acquired a solid investment status. As they intended to hold these investments for a long time, they were not particularly interested in questions of marketability, and were content to buy securities for which little of a market existed if the other requisites of a good investment were present.

EUROPE has been buying securities heavily in recent months in the American market. The largest part of this buying appears to come from Germany, where conditions are so uncertain that the larger investors prefer to keep their capital in American funds. Because of the security and the liquidity required for investments of this nature, most of this buying has been concentrated in the highest class of bonds and stocks. The provisions of the American income tax law, from the standpoint of the foreign investor, place a premium on the dollar bonds of foreign governments and municipalities and on the bonds of American corporations which operate abroad. Much of the foreign buying is of a transitory nature, intended for the temporary investment of liquid capital, so that the support which it has been giving to the high-grade bond market cannot be considered dependable.

The contemporary European buyer, and more particularly the German investor, must face continually the possibility of some new twist in the international situation which will make it necessary for him to drop his American investments and collect cash as quickly as possible.

Another consideration which concerns him is the American income tax on securities held abroad. To some extent this question is disposed of for the holder of tax-free bonds, but this exemption is not unconditional for all varieties of Governmental issues. Municipal and State issues are free of taxation irrespective of the total amount, as are also Government bonds issued before our entrance into the war. Liberty bonds of all classes, however, are liable to super-tax according to conditions varying with the terms of issue.

Moreover, the prices of tax-exempt bonds are fixed by the taxable status of the American investor, and in consequence are in most cases too high to be attractive to the foreign bond buyer. This has tended to hold down the amount of purchasing of this kind of security, in spite of its high degree of safety.

Dollar Bonds Attractive to Foreigners

Probably the most attractive division of the bond list is that of foreign governments' dollar bonds, payable, principal and interest, in dollars, and traded in in New York. Income from these issues is not taxable by the United States, and the income yield is exceptionally high, while the security in many cases, such as a number of South American bonds, is of very good quality.

The yields on dollar bonds of this type are in almost all cases higher than on bonds of a similar class issued by the same countries before the war, and payable, principal and interest, in pounds sterling at London. This makes them very attractive to the foreign investor, especially the Englishman.

Another field of investment in which the hand of the foreign purchaser has been felt of late has been the high-grade railroad and industrial bond division. For the purpose of the European investor, these bonds may be classified into two general divisions, those that have and those that do not have a "tax-free" covenant. This distinction does not matter unless the income from this type of bond amounts to $1,000 or more, in which case a tax of 8% is levied on the income at the source.

In the case of bonds not containing the tax-free clause, this tax is collected even on incomes below this figure, but can be reclaimed by application to the Government. Where the income from American bonds of this kind exceeds $1,000, the foreign investor can obtain a refund only in case his bond indenture has a tax-free clause, and then only by filing a voluntary return with the Federal Government and applying for the refund.

Dividends from Common Stocks

Income from dividends on common stocks is not collected at the source, and is not liable to taxation unless it exceeds $5,000. Above that amount the super-tax is imposed, beginning at 1%, and is payable under the voluntary return filed with the Treasury Department by the foreign investor.

In all these cases, the income is reckoned only on the particular class of security involved, and income from other sources or total income is not counted. It is evident that a foreign investor could

(*Please turn to page 92*)

BERLIN BOURSE

Bonds

How to Use Your Idle Funds Now

Uncertain Situation of Market Compels Use of Other Forms of Keeping Liquid Capital Profitably Employed

By SAUL J. POTTER

THE present stage of the market is perhaps the one most thickly strewn with pitfalls for the average investor. Curiously enough, the more cautious and sucessful he has been, the more likely he is to make a misstep at this point of the market's development. The action of stocks indicates that for some time to come, while there may be sporadic rallies from time to time, the main trend will be downward, so that bullish commitments at this time must be regarded as unwise.

Careful students of the market should be long of money and mostly out of stocks by this time, having liquidated fairly close to recent highs. Many business men are also in the same position, having no desire to continue business expansion at this time, while their profits have been accumulating so that they have large liquid reserves.

The Usual Reasoning

The more cautious the investor, the more apt he is to go off on a line of reasoning somewhat like this: "Stocks are now ten or fifteen or twenty points off their highs; business remains good, companies will issue good quarterly or semiannual earnings statements, and stocks may go up again. When stocks begin to show support, they ought to be a good buy."

The last statement has some truth in it, but it ought to be spelled "goodbye." Signs of weakness have already begun to appear in more than one field: in buyers' resistance to advancing sugar and textile prices, in decreasing building orders, in falling steel scrap prices, in the flood of crude and refined oil price cuts. The stock market shows signs of a major downward move, and money rates seem to be heading upward within a short time.

Even if the investor is not willing to go so far as to say that stock prices are on the way down, he will certainly agree from the foregoing that now is a time to exercise great caution in stock commitments. The question remains, therefore, what to do in the meantime with surplus funds on hand, derived from the liquidation of securities or from the accumulation of business profits which it is not considered safe to invest in the business at this time.

To the investor who wants to stay out of the market until he is sure of clear sailing ahead, the banks offer a simple and convenient form of investment, either in time deposits or in call loans. If the amounts of money involved are of any great magnitude, the investor will find it easy to arrange with his bank to have the latter loan out his money for him at call, at the prevailing rates, with little or no charge for its services. In recent weeks it has been possible to obtain an average of 5½% on call loans, although they have been as low as 4½% and as high as 6%. If the investor is so inclined, he may stiplate that his money is not to be loaned out at any rate lower than a specified figure, say 5½ or 6%, if he anticipates a period of stiff money rates, and is willing to risk leaving part of his funds idle for a time if the figure he indicates is not reached.

A higher degree of stability in the handling of surplus funds through the banks if reached through the use of time deposits, on which a fixed rate, known in advance, is to be had, at the present time, about 5 or 5¼%.

A higher yield is obtainable if the investor prefers to put his money into short-term bonds of sufficiently good security. While he may not care to hold them until they mature, yet the very fact of their maturity serves to stabilize their prices, since they are to be redeemed at par in a more or less short time anyway. In this way, both elements which the short-time investor requires, liquidity and security are attained, although there is always a certain residual element of risk in the possible fluctuations of market quotations which should be taken into account.

In the case of industrial securities, not only is the yield likely to be somewhat higher than in railroad and public utilities, but an improvement in the industrial position of the company, though it may not register in the price of the stock, will have its effect in stabilizing the price of its short-term funded issues.

Much the same applies to the medium-grade preferred stocks, whose investment status improves as the earnings of the company improve, thus counteracting the downward tendency caused by higher money rates. They are to be chosen for the purpose of short-time investment in preference to the higher-grade stocks of the same class, because the latter respond more immediately to money rates, being more or less independent of the fluctuations of prosperity of their companies.

Stocks like National Biscuit preferred, U. S. Steel preferred, and the like, are so well secured that additional prosperity to their company means little to them, and for all practical purposes they are in the position of high-grade non-callable bonds of indefinite maturity.

The list herewith attached gives a wide variety of railroad, public utility and industrial bonds maturing within the next eight years. In the following paragraphs we shall give more detailed analyses of three such bonds, representing each of these classes.

IN the present market, many investors have realized the dangers attending further extensive speculative commitments in stocks until business and stock market conditions permit one to see further ahead than is now the case. Under the circumstances, investors who have taken their profits around the high levels reached some weeks ago, and business men who have accumulated surpluses which they are unwilling to devote to further business expansion at the present time, should look around for media of investment for their surplus funds. High-grade bonds and preferred stocks are still somewhat unattractive, because of the uncertain outlook for the money market and the possibility of higher rates, which would depress the price of investment securities. This article suggests means of using bank facilities to take advantage of the yield on time and call loans, and discusses in some detail the investment advantages of high-grade short-term bonds, showing their exemption from the fluctuations of the money market, and including analyses of examples of three types of such bonds.

BELL TELEPHONE CO. OF CANADA This is one of the oldest concerns in the telephone business, having been incorporated in Canada in 1880. Originally a very ambitious enterprise, covering eight provinces, it has found it advantageous to sell out its properties in most of them to local companies or to the Gov-

ernment, and now restricts its operations to the provinces of Ontario and Quebec. It is under the supervision of the Railway Commission of Canada, whose attitude in the matter of rate increases in the past has been that the company must prove its inability to make money on a given rate before granting an increase.

In 1921 an interesting situation developed. By an order of the Railway Board of Canada, the company was granted rate increases estimated to produce a net total increase of $2,100,000, and in addition was allowed to reduce its allowance for depreciation by $900,000.

As a result, while gross income increased by 2 millions, operating expenses went up to 9.5 millions, the highest point in the company's history, and current maintenance went up to 3.8 millions, also a new record. Depreciation declined from 2.9 millions in 1920 to 2.5 millions, a decrease of $400,000 instead of the allowed $900,000. The curious thing about the increased expenses is that they came in a year when prices were considerably lower than in the preceding year. The result was that the dividend on the common was only about half earned.

In February, 1922, however, the Railway Commission refused the company's request for further rate increases, and their course seemed justified when the company turned in a report at the end of the year showing $9.55 a share earned on the common, or about the pre-war average.

Well-Established Earning Power

The company's earning power therefore appears well established, interest charges having been earned in the past ten years on an average of 3.63 times over. The lowest figure was 0.95 in 1920, which was a year of unusual hardship for companies engaged in similar lines of business.

The lien of this bond issue consists of a direct obligation, not a mortgage, secured by a first lien on the whole line, works and plants, other than real estate. As of Dec. 31, 1922, these items totalled 61.6 millions, or some 5½ times the par value of 11.3 millions of these bonds outstanding.

The total funded debt amounts to 16.8 millions, while stock outstanding amounts to 32 millions, increasing the margin of safety behind the bonds.

This issue is therefore to be considered of very high grade, and its relatively high yield can be accounted for only because of the fact that the company is located in Canada and therefore unfamiliar to the majority of investors. Interest is payable in Montreal or London at the fixed rate of $4.86 to the pound, so that it is independent of the fluctuations of both British and Canadian exchange.

FISHER BODY CORPORATION The rapid expansion of this company, on the solid basis of a change in the entire trend of the automotive industry from the open to the closed car, has been one of the outstanding automobile developments of the period since the armistice. It is the largest manufacturer of automobile bodies in the world, and owns subsidiary companies which supply it with plate glass, metal stampings and automobile body hardware.

With the growing popularity of the closed car, the company's earnings have increased as follows:

Year*	Earnings (in millions of dollars)
1918	4.4
1919	3.5
1920	6.5
1921	7.4
1922	8.3
1923†	8.5

* Fiscal year ends April 30.
† 8 mos. May 1-Dec. 31, 1922.

As the total amount of these bonds outstanding is only 20 millions, the interest charges of 1.2 millions required have been earned something like 5½ times over in the past six years.

These notes are not secured by specific mortgage, but they are a direct obligation of the company, and there is a provision in the trust indenture which provides that neither the corporation nor its subsidiaries will mortgage any existing property of the company, although they have the right to issue purchase money mortgages on property which may be acquired in the future. For all practical purposes this operates to give these notes a first lien on the existing property, which amounted to 25.9 million, after deducting reserves, as of Dec. 31, 1922. Total net tangible assets as of that date amounted to 69 millions applicable to the notes, or 345% cover.

Highly Liquid Position

At the same time, current assets amounted to 43.7 millions, of which 15.2 were inventory, while current liabilities were only 8 millions, so that the current assets alone were almost double the outstanding amount of notes.

While bound up with a certain residual amount of industrial risk, these notes are to be regarded as a high-grade investment of this type, whose yield is very satisfactory under present conditions.

SOUTHERN PACIFIC CO. This company has been discussed in such detail in various issues of THE MAGAZINE OF WALL STREET that a prolonged analysis seems out of place here. The particular position of these bonds, however, deserves some special notice.

They constitute the largest single obligation of the parent company, and will be the first of its issues to mature, apart from equipment trust obligations. Of the obligations of the proprietary companies, the only one of importance preceding them in point of time is an issue of 16 millions of the first mortgage 5s of the Oregon & California R. R., due July 1, 1927.

The "convertible" 4s of 1929 are a direct obligation, but not a mortgage, there being practically no mortgage provisions in the bonds issued by the parent company. The conversion privilege has expired, so that the issue must be considered solely on its investment merits.

The standing of all Southern Pacific bonds is very high, total interest charges having been earned on an average of 1.93 times over in the past ten years, the lowest figure of recent years being 1.39 times in 1920. The latest balance-sheet available, that of Dec. 31, 1921, shows current assets for the parent company alone of 69 millions, nearly 3½ times current liabilities, the difference being nearly the par value of this issue.

Refunding Outlook

There is practically no doubt as to the ability of the Southern Pacific Co. to refund this issue when it matures at as favorable terms as any company under the conditions prevailing at that time. **While bond experts may quibble as to the relative values of bonds with liens and bonds without them, and as to the nature and degree of priority of claims of various classes of bonds on earnings, the fact remains that this bond is of such high investment quality that for the ordinary bond-buyer these considerations do not count. This is especially true of the short-time investor who demands a high degree of safety and stability in his investment.**

TEN GOOD SHORT-TERM INVESTMENTS

Company	Nature of Security	Rate (%)	Maturity	Amount Outstanding	Total Capitalization	Times Int. Earned 1920	1921	1922	Price	Yield (%)
Balt. & Ohio R. R. Co.	S. W. Div., 1st Mtge.	3½	July 1, 1925	$44,991,390	$702,061,190	Def.	1.28	1.1	93½	6.65
Bell Tel. Co. of Canada	1st Mtge.	5	Apr. 1, 1925	11,250,000	48,799,000	0.96	1.95	3.63	98	6.08
Delaware & Hudson Co.	Secured	7	June 1, 1930	10,000,000	111,608,200	0.79	3.50	NF	108	5.60
Minn., St. P. & S. Ste. M.	Collateral Trust	6½	Sept. 1, 1931	10,000,000	147,225,600	1.85	Def.	NF	103	6.05
Southern Pacific	Convertible	4	June 1, 1929	53,815,760	807,460,046	1.39	2.36	NF	92½	5.48
Standard Gas & Elec. Co.	Convertible (Skg. Fd.)	6	Dec. 1, 1926	5,457,500	42,732,000	2.46	2.76	2.4	98½	6.51
Columbia Gas & Elec. Co.	1st Mtge.	5	Jan. 1, 1927	11,293,000	66,879,865	6.75	5.93	7.09	96½	6.45
Central Leather Co.	1st Lien	5	Apr. 1, 1925	12,535,350	97,637,230	Def.	Def.	1.83	98¾	5.66
Fisher Body Corp.	Serial Notes	6	Feb. 1, 1924–1928	20,000,000	59,165,125	7.02	[illegible]	7.59	96¼–98¾	6.78–7.20
Wilson & Co.	Convertible (Skg. Fd.)	6	Dec. 1, 1931	9,647,000	78,551,600	0.60	Def.	1.37	100	6.00

NF—No complete figures available.

BOND BUYERS' GUIDE

HIGH GRADE (For Income Only)		Apx. Price	Apx. Yield	Int. earned % on entire funded debt
Non-Callable Bonds:				
Canadian Northern Debenture 6½s, 1946	(a)	112¼	5.60	*
Delaware & Hudson 7s, 1930	(b)	108	5.50	1.95
Great Northern Genl. 7s, 1936	(a)	108½	6.00	3.40
New York Central Rfd. and Imp. 5s, 2013	(c)	†95¼	5.30	1.60
Western Union Telegraph Co. 6½s, 1936	(b)	108½	5.60	8.40
New York Edison Co. 6½s, 1941	(b)	‡109	5.60	5.00
Bush Terminal Buildings 5s, 1960	(a)	89½	5.70	1.71
Callable Bonds:				
Armour & Co. of Del. 1st 5½s, 1943	(c)	90½	6.40	5.00
Armour & Co. Real Estate 4½s, 1939	(a)	85¼	5.90	....
Canadian General Electric deb. 6s, 1942	(a)	101	5.90	4.40
Duquesne Light Co. 6s, 1941	(b)	103	5.75	3.40
Philadelphia Company 6s, 1944	(c)	100	6.00	3.50
Short-Term Bonds:				
B. & O. Prior Lien 3½, 1925	(b)	95	6.10	0.82
B. & O., Southwest Div. 1st mtg. 3½s, 1925	(b)	93¼	6.30	0.82
Seaboard & Roanoke 1st 5s, 1926	(a)	96	6.25	....
Southern Pacific conv. 4s, 1929	(a)	92	5.60	2.50
Union Pacific conv. 4s, 1927	(b)	95	5.40	2.25
Dominion of Canada Internal 5½s, 1927	(d)	101¼	5.30	
Bell Telephone Company of Canada 5s, 1925	(c)	99	6.25	2.87
Aluminum Company of America 7s, 1925	(a)	103½	5.50	....
Central Leather Co. 1st 5s, 1925	(c)	99	5.50	0.91
Sinclair Crude Oil Purchasing 5½s, 1925	(a)	98	6.30	....
Columbia Gas & Electric Co 1st 5s, 1927	(a)	96	6.25	4.15
MIDDLE GRADE (For Income and Profit)				
Railroads:				
Baltimore & Ohio 1st mtg. 4s, 1948	(b)	76½	5.90	0.82
Carolina, Clinchfield & Ohio 1st 5s, 1938	(c)	90	6.00	1.40
Chesapeake & Ohio conv. 5s, 1946	(b)	89	5.90	1.40
Cuba R. R. 1st 5s, 1952	(a)	84	6.20	2.45
Chicago & Eastern Illinois Gen. 5s, 1951	(c)	79¾	6.60	2.20
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	84	6.25	2.00
Missouri, Kansas & Texas Prior Lien 5s	(c)	78	6.50	1.10
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	103	6.15	2.00
Missouri Pacific 1st and Rfd. 6s, 1949	(b)	95¼	6.40	0.90
N. O. & N. E. Rfd. and Imp. 4½s, 1952	(a)	78	6.10	2.72
St. L. & S. F. Prior Lien 4s, 1950	(a)	67	6.70	1.60
Western Pacific 1st 5s, 1946	(a)	80	6.70	2.67
Industrials:				
Anaconda Copper Mining Co. 1st 6s, 1953	(a)	97	6.25	2.25
Computing Tabulating & Recording 6s, 1941	(b)	98	6.20	5.50
Goodyear Tire & Rubber Co. 8s, 1941	(c)	117	7.10	9.50
B. F. Goodrich 1st 6½s, 1947	(b)	100½	6.50	3.65
International Mercantile Marine 6s, 1941	(b)	86	7.40	4.00
Sinclair First Lien and Col. 7s, 1937	(c)	100	7.00	3.70
South Porto Rico 1st Mtg. and Col. 7s, 1941	(b)	101	6.93	5.50
U. S. Rubber 5s, 1947	(c)	87	6.00	2.35
Virginia-Carolina Chemical 1st 7s, 1947	(c)	91	7.85	1.20
Wilson & Co. 1st 6s, 1941	(a)	99	6.10	2.10
Public Utilities:				
American Works & Elect. Corp. Col. 5s, 1934	(c)	85¼	6.90	1.80
Dominion Power & Transmission 1st 5s, 1932	(a)	90	6.50	2.37
Denver Gas & Elec. 1st and Rfd. 5s, 1951	(a)	85¼	6.10	3.99
Havana Elec. Ry. Light & Power 5s, 1954	(a)	83¼	6.25	4.53
Northern States Power 5s, 1941	(b)	90	5.90	1.80
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942	(a)	90	5.90	2.25
Public Service Corporation of N. J. 5s, 1959	(a)	84	6.10	1.78
Utah Power & Light 5s, 1944	(a)	88½	6.00	1.80
United Fuel Gas 6s, 1936	(b)	95	6.60	7.10
SPECULATIVE (For Income and Profit)				
Railroads:				
Chicago Great Western 1st 4s, 1959	(a)	50½	8.40	0.60
Erie Genl. Lien 4s, 1996	(a)	45½	8.80	0.70
Chicago, Milwaukee & St. Paul conv. 5s, 2014	(c)	67	7.50	0.85
Iowa Central 1st Mtg. 5s, 1938	(a)	70	8.60	0.80
Missouri Pacific Genl. Mtg. 4s, 1975	(b)	57½	7.10	0.90
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	54¼	9.30	....
St. Louis & San Francisco Adj. Mtg. 6s, 1955	(a)	73¼	8.40	2.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(b)	76¼	7.75	....
Southern Railway Genl. Mtg. 4s, 1956	(a)	67	6.40	2.00
Western Maryland 1st Mtg. 4s, 1952	(a)	60¼	7.25	0.70
Industrials:				
American Writing Paper Co. 6s, 1939	(a)	79¾	8.30	1.90
American Cotton Oil Co. 5s, 1931	(a)	70	10.70	....
Cuba Cane Sugar 7s, 1930	(c)	90½	8.80	1.80
Chile Copper Co. 6s, 1932	(b)	100	6.00	3.80
Public Utilities:				
Chicago Railways 1st 5s, 1927	(a)	82½	10.50	1.08
Hudson & Manhattan Rfd. 5s, 1957	(c)	80½	6.45	1.80
Interboro Rapid Transit 5s, 1966	(a)	69½	7.30	1.60
Third Avenue Railway Rfd. 4s, 1960	(b)	60	7.10	1.20
Virginia Railway & Power 5s, 1934	(a)	85½	7.00	1.90

% This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Interest on this issue was fully covered.

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936.

(a) Lowest denom., $1,000. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50.

BOND MARKET DULL

Little Change in Domestic Issues

THE bond market during the past two weeks, with exception of the foreign list, moved in a very listless manner. Business contracted considerably. There appear to be two influences in the market at present. The commercial demand for money has placed time funds on a 5¼ to 5½% basis and, under ordinary circumstances, bond prices would take due cognizance of this condition. On the other hand, with necessity of Government refunding of the early maturing Victory notes, the interest of Washington in low money rates is apparent. However, the Liberty issues have displayed a sagging tendency, in view of the feeling that the Treasury Department will probably be forced to offer investors a somewhat higher yield on the new issue, owing to the generally firmer interest rates. That there is a ready market for good investment issues was demonstrated by the reception accorded the offering of the American Smelting & Refining Company $10,000,000, Series "B" 6s, and the $5,000,000 Federal Sugar Company ten year 6% debenture 6s, which were oversubscribed shortly after the books were opened.

Railroad bonds were dull with very little changes in spite of the generally favorable March earning reports. Both high grade and speculative issues were sluggish, except in individual cases. The Reading General 4s advanced to 84 on the belief that the bondholders would receive better treatment in the segregation of the company's properties than heretofore anticipated, and the Keokuk & Des Moines first 5s jumped to 74, after their precipitous decline owing to uncertainties existing in connection with whether or not the Chicago, Rock Island & Pacific would renew the lease for operation of the property. On the other hand, the International & Great Northern 1st 6s declined to around 92.

Industrial issues with few exceptions continued to display no definite trend. Sugar and oil securities were lower. Saks & Company 7s moved up 1½ points on announcement of the proposed consolidation with Gimbel Brothers, and the very favorable earning statement of the Goodyear Tire & Rubber Company for the first quarter of the current year was reflected in quotations for both the first mortgage and debenture 8s, but changes generally were fractional in either direction.

Foreign Bonds Higher

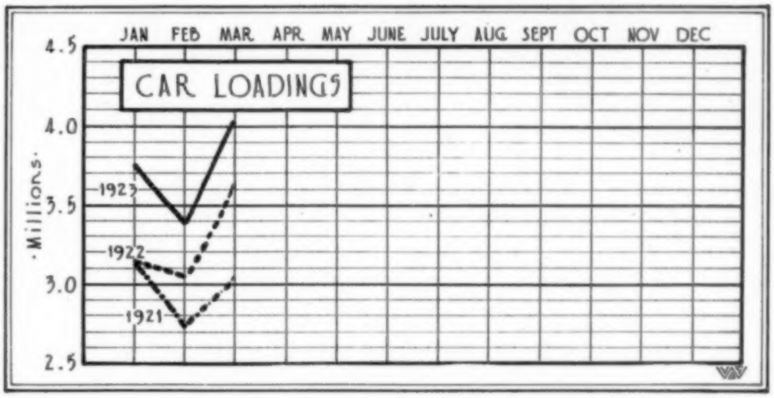
It was in the foreign department that the most noteworthy activity and strength was seen. The French issues and Czechoslovak 8s were the outstanding features, these bonds making new highs for the year. The French 7½s advanced to 96¼ and the 8s to 100¾, while the various French Cities 6s jumped to above 83. The Czechoslovak 8s reached 93. The demand for foreign bonds came from both American and European sources and indicated a greater confidence in stability of conditions on the Continent and the possibility of early settlement of the difficulties abroad.

Record Traffic Saves Railroads

Steady Rise of Operating Ratio Largely Nullifies Greatly Increased Volume of Traffic

By ARTHUR J. NEUMARK

THE railroad situation continues to present a conflicting picture. The disconcerting feature of the March statements was the sharp increase in the oprating ratio. Rising costs almost dissipated the higher returns from the record volume of traffic handled, and in some cases brought net earnings below the corresponding period of 1922. Net returns were considerably better than in the previous month as was to be expected with new high records for car loadings, and improvement in the status of equipment, but with the exception of the Southern roads and a few others, the carriers were unable to retain the gains recorded in gross. For example, New York Central's gross increased 7.8 millions over the corresponding month of 1922, while net only increased 1.9 millions. In other words, the road was only able to save about 24% of the increased revenue. Illinois Central's gross increased 2.7 millions, while net remained the same as in March, 1922. Pennsy's gross increased 5 millions, while net decreased 2.9 millions.



CLASS 1 ROADS

(000 omitted)

	Net Oper. Income	*Month's Normal Earnings to Give a 5.75% Return
April, 1922....	50,271	84,000
May	61,980	84,500
June	76,594	93,000
July	69,239	99,200
August	52,579	109,400
September	58,457	121,000
October	85,255	132,000
November	105,000	109,000
December	95,000	92,300
January, 1923..	60,874	70,600
February	38,800	56,000
*March	86,500	89,700

* Estimated.

ESTIMATED ANNUAL EARNINGS OF RAILROADS BASED ON THE FIRST THREE MONTHS OF 1923

The following table is compiled on the actual average of the first three months' net income to the total traffic year for the past ten years for each individual railroad, allowing for seasonal variations of traffic.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	....	....	....	$16.00
Atlantic Coast Line	....	....	....	21.45
Baltimore & Ohio	....	....	....	16.50
Canadian Pacific	....	....	....	8.00
Central of N. J.	....	....	....	11.30
Chesapeake & Ohio	....	....	....	13.00
Chicago, Mil. & St. Paul	....	....	1.75	....
Chicago North Western	....	....	....	2.40
Delaware & Hudson	$508,631	....	....	....
Delaware, Lackawanna & W.	....	....	....	3.40
*Erie	....	....	[5]4.00	....
Great Northern	....	....	1.70	....
*Gulf, Mobile & Northern	....	....	....	2.05
Illinois Central	....	....	....	16.65
Kansas City Southern	....	....	....	4.65
Lehigh Valley	1,738,144	....	....	....
Louisville & Nashville	....	....	....	[7]10.70
Minn., St. Paul & St. Ste Marie	....	....	5.00	....
Missouri Pacific	....	51	....	....
New York Central	....	....	....	11.60
N. Y., Chicago & St. Louis	....	....	....	[2]6.60
*N. Y., N. H. & Hartford	1,110,280	....	....	....
Norfolk & Western	....	....	....	8.80
Northern Pacific	....	....	....	3.50
Pennsylvania	....	....	....	[1]5.35
Pere Marquette	....	....	....	9.00
Pittsburgh & W. Va	....	....	....	6.20
Reading	....	....	....	[6]13.70
St. Louis San Francisco	....	....	....	9.90
St. Louis Southwestern	....	....	....	10.45
Southern Pacific	....	....	....	[3]9.45
Southern Railway	....	....	....	10.70
Toledo, St. L. & Western	....	....	....	24.00
Union Pacific	....	....	....	13.95
Wabash	....	....	....	[4].90
Western Maryland	....	....	....	1.00

[1] $50 par value. [2] After 5% on the common stock, all classes of stock share equally. [3] Without oil income and after capital adjustments. [4] Assuming that all of the outstanding preferred B is converted equally into preferred A and common stocks. [5] On 4% first preferred. [6] This includes total earnings of Philadelphia & Reading Ry., all of whose stock is owned by Reading. [7] On the basis of the increased capital stock outstanding.

* For the first two months of operation.

These are typical of the March reports and indicate clearly that, in order to obtain approximately the same results as a year ago, the rails were compelled to handle about 25% more traffic. In other words, the present abnormal activity in business is pulling them through with fairly large profits, but the rising expense accounts give warning of hard times ahead once traffic begins to decline. The significance of this can be minimized for the present, as there is little doubt that the volume of traffic will continue heavy for many months to come.

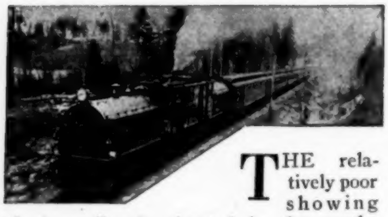
Car loadings for the first two weeks of

(*Please turn to page 70*)

Outlook for the Northwestern Roads

Present Earnings and Prospects for 1923

By JOSEPH M. GOLDSMITH



THE relatively poor showing of the railroads situated in the northwestern section of the United States during the past few years has brought forth a large variety of explanations. Not that this is the only part of the country in which the railroads have encountered severe difficulties, for all have had their full share. Nevertheless, this group, comprising the Great Northern, the Northern Pacific, the St. Paul and Chicago & Northwestern, has done very unsatisfactorily since the return to private operation. Their meager earnings from operations stand out all the more prominently when comparison is made with their enviable record up until the outbreak of the war.

All four roads operate under similar conditions and, therefore, can readily be discussed collectively. Each possesses substantially the same volume of traffic, although the items of which it consists vary somewhat. However, their prosperity or adversity is dependent upon the fundamental traffic situation prevailing in the territory which they jointly occupy. The future of each of the group is inextricably bound up with the same set of economic factors.

Are Railroad Facilities Overdeveloped?

Until the completion in 1909 of the St. Paul's extension to the Coast, there were only two transcontinental lines in the Northwest, namely, the Great Northern and the Northern Pacific. This extension opened up comparatively little new territory and virtually duplicated the Northern Pacific over a large part of the route. Consequently to obtain traffic the St. Paul had to wrest it from its competitors rather than develop new tonnage. This has led to the frequent assertion that the Northwest is over-railroaded and that, although there was room for two lines to the Coast where two was company, three is now a crowd.

There is no doubt that the existing transportation facilities can economically handle a volume of freight far in excess of that which is now being originated, or which is likely to materialize in the near future. Competition is exceptionally keen, especially on through traffic, for the Union Pacific also operates in Washington and Oregon and competes with the Northwestern roads. A large part of the through traffic which the Union Pacific obtains, is turned over to the Chicago & Northwestern at Council Bluffs where the two connect to form a through route.

It cannot be said that the territory has failed to develop additional traffic during the last decade. The tonnage which the roads under discussion obtained in 1912 aggregated 109 million tons, while in 1920, the year in which they secured the largest volume of freight in their history, it amounted to 162 million tons; an increase of 48%. As available statistics show, in the same period traffic for the United States, as a whole, only increased 35%, so that the northwest more than kept pace with the average rate of growth for the entire country. In 1921, all this advance in volume of traffic was lost as a result of the acute agricultural and industrial depression which affected every part of the United States, and the Northwest with particular severity.

If we cannot attribute this poor financial showing in comparison with former years to an insufficient increase in the amount of traffic, how are we to account for it?

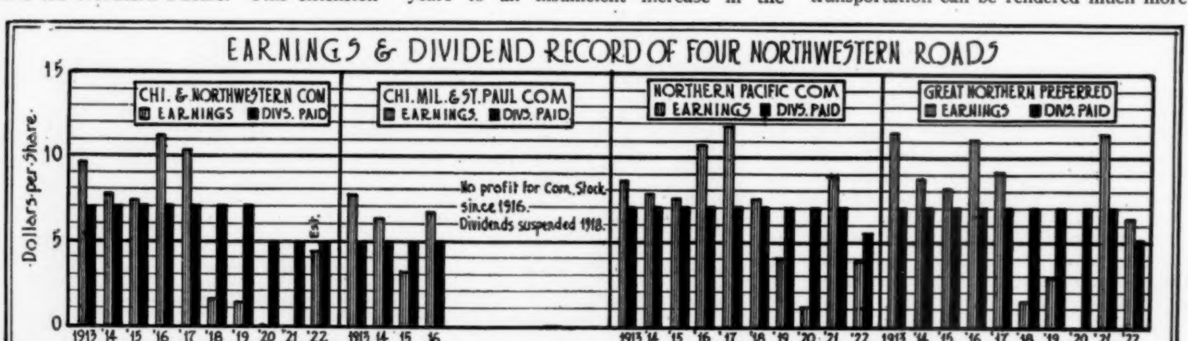
As previously mentioned, competition is exceptionally keen and has operated to restrict the advance in rates. In 1912 the railroads for the country as a whole were securing an average rate of .73 cents for each mile that they moved a ton of freight. The northwestern roads were obtaining .85 cents, due to the fact that they have not as large a proportion of coal traffic upon which the rate is normally low. In 1921, whereas the average for all railroads had reached 1.27 cents, an increase of 74%, the average for this group was 1.32 cents, an increase of only 55%. Herein lies the explanation for the failure of the northwestern roads to maintain their earning power.

Taking the latest figures available, we find that gross revenues of this group in 1922 were 57% ahead of 1912. Traffic was large, especially in the latter part of the year, thus permitting heavier trainloads and fuller utilization of equipment. Yet over the same period operating expenses had advanced 93%. It is obvious that under such conditions the companies can no longer operate at the low ratios which they enjoyed before the disproportionate increase in the cost of rendering the service occurred.

Influence of Panama Canal

The failure of rates to keep pace with those for the United States as a whole is due not alone to the intense competition between the railroads themselves, but also to water competition. The completion of the big ditch across the Isthmus of Panama has had a depressing influence upon transcontinental rail rates. The Canal has become, to a greater extent than was until recently recognized, an extremely formidable competitor for through traffic.

Especially on bulky commodities water transportation can be rendered much more



FOUR NORTHWESTERN ROADS

Relative Figures, 1912—100.

Year	Revenue Tonnage — United States	Revenue Tonnage — Northw'tern Roads	Av. Rate Per Ton Mile — United States	Av. Rate Per Ton Mile — Northw'tern Roads
1912	100	100	100	100
1913	113	124	98	96
1914	110	117	98	97
1915	100	104	98	96
1916	129	136	97	92
1917	135	139	97	89
1918	137	140	116	102
1919	121	130	133	116
1920	135	148	144	126
1921	100	101	174	155

FINANCIAL COMPARISON, 1922

(In Thousands)

	Great Northern	Northern Pacific	Chicago & Northwestern	St. Paul
Gross Revenues	$103,453	$96,076	$146,100	$156,900
Net Operating Income	17,276	19,450	17,036	13,284
*Other Income	12,000	11,270	3,500	1,500
Total Income	$29,276	$30,720	$20,536	$14,784
Fixed Charges	16,900	15,665	12,200	19,800
Net Income	$12,376	$15,055	$8,336	†$5,016
Earned Per Share	$5.00	$6.07	$4.65	Def.

* Estimated. † Deficit.

cheaply. Consequently the railroads have been forced to reduce rates on through shipments in their attempt to stem the wholesale diversion of freight to the water route. On the large lumber traffic originating in Oregon and Washington the northwestern roads have been at a distinct disadvantage in competing with the steamship lines. This has resulted in short-hauling some traffic which formerly moved over practically the entire length of the line.

Competition with the waterway does not occur of course on shipments originating in or destined for interior points, but it is the long-haul freight that is by far the most remunerative. The canal cannot affect more than a moderate proportion of the total traffic but its influence is not to be minimized. Its effectiveness in keeping down rates on through business is not likely to diminish.

Prospects for 1923

Although an appraisal of the above factors cannot inspire much confidence in the ability of the northwestern roads to regain their former earning power, the current year will probably prove quite profitable. The volume of traffic is enormous and, in spite of the relatively low rates at which much of it is being moved, earnings are running high. Car loadings are now averaging about 34% above the same period of 1921, and 16% ahead of 1922. Shipments of grain, ore, and lumber are especialy heavy and the two latter will remain so as long as the great activity in the iron and steel and building industries continues. This makes the outlook for 1923 appear encouraging, but it is well to bear in mind that the tonnage obtainable cannot permanently retain its present level. A slackening in industry which is bound to occur sooner or later, depending upon the rapidity with which prices are pushed upwards, will be reflected in a falling off in shipments particularly of these two basic commodities. Unless rates improve or operating costs decline before such a situation comes about this group of roads will be adversely affected.

Having discussed rather comprehensively the general traffic factors in the territory, we now come to a brief résumé of the condition of the individual companies. An examination of their earnings and an application of these earnings to the present capital structure of each is valuable in determining which occupy the best position. The appended table gives in comparative form the main items in the income accounts of the four roads for 1922 and shows wherein their strength or weakness lies.

THE GREAT NORTHERN

In 1922, the Great Northern earned net income from operations of 17.3 millions, which compared with 12.8 millions in the preceding year. Iron ore, which is the largest single item in its traffic classification, increased greatly in tonnage over the low levels reached in the depression of 1921. Although the income from its own rail operations rose, its outside income from security holdings declined to such an extent as to more than nullify the improvement. The Great Northern jointly with the Northern Pacific owns 97% of the stock of the Chicago, Burlington & Quincy. This has proven a very lucrative investment and in 1921 paid an extra dividend of 15%, in addition to its regular 10% rate. In 1922, this extra distribution was not repeated, so that the Great Northern's other income fell. Consequently earnings per share amounted to only $5 compared with $11.41 in the preceding year.

The dividend was reduced from 7% to 5% at which rate the stock is now paying. At its current price of 74 the yield is 6¾%. Although January 1923, was an exceptionaly good month, bad weather conditions in February resulted in a deficit, in spite of the fact that gross revenues were abnormally high. Net operating income for the two months combined amounted to only $280,000, but **in view of the large tonnage now being handled the remainder of the year should produce satisfactory earnings. The road should experience no difficulty in covering its present dividend requirements.**

THE NORTHERN PACIFIC

The Northern Pacific is the largest lumber carrier of the group, this branch of its business comprising about 30% of the total. Although the mileage is considerably less than that of the Great Northern, its gross revenues were almost as large, and due to a (*Please turn to page 88*)

The first locomotive used on the Great Northern Railway

Money, Banking and Business

Has Business Reached Peak?

Signs of Hesitation With Production at Record Levels

CONTINUED heavy production of steel and iron is bringing the output of that particular industry up to a level which, considering the increased capacity of the business, is much in excess of past records. Current reports of unfilled orders show that the Steel Corporation's business is still expanding, and apparently at an increasing rate, while production of pig iron is breaking all records and the same is measurably true of ingot steel.

Conditions thus depicted in the steel industry are quite fully paralleled in a number of other branches of basic materials, including lumber and cement. When to these conditions is added the fact that car loadings are for this season of the year at an absolutely record level, it can be realized that the business of the country is going ahead at a rate of manufacture which has never before been exceeded and in most lines never equalled.

Some Doutbtful Factors

And yet there are potentially unfavorable factors in the present state of things which must be taken into account. It has recently been disclosed that in the building trades there is again a condition of pyramiding of orders, with the resultant advances of prices and "tying up" of product which have been so troublesome in the past. This is partly due to the fact that, under the present methods of distributing such commodities as cement, there is always a fear on the part of contractors lest they may not get quite the full amount that they need for a given job. The tendency then is to place duplicate orders; and since there is no way of checking up exactly what is being called for, the result is to bring about a condition of over-ordering which turns out badly since it speeds up production beyond the amount really needed for early use, and so leaves a large stock on the hands of either the manufacturer or the buyer, which, so far as the community is concerned, is about equally dangerous and injurious.

How far this tendency has spread today outside of the building trades cannot be exactly stated. But the fact that it is present anywhere and in any important degree, is a circumstance which calls for thoughtful attention. It should not be regarded as an attempt to damage our prosperity that note is taken of a condition which has proved so injurious in the past, but it should rather be regarded as an effort to conserve prosperous conditions by eradicating the dangers which menace them. As yet the condition referred to has not gone so far as to prevent it from being subjected to comparatively prompt elimination.

The price problem continues troublesome, due to the fact that the advances already noted as a cause of danger are growing more aggravated. During the past month considerable increases have been noted in several different lines and in some they are still progressing, unfortunately with a certain tendency to irregularity as to make some industries suffer considerably more than others.

This movement, if it should go further, would of course result in the same maladjustment of buying power which has existed in the past with probable difficulty in keeping up the steady flow of commodities from one industry to another. As a matter of fact, the general trade situation is rather encouragd by the rise of prices than discouraged, due to the fact that profits are seen in advancing prices, while the entire burden of the price increase has not yet been shifted from the wholesaler to the retailer in the form of heavier charges for consumable goods. Such a shift will probably come only after the opening of the fall business, and in the meantime its effect is by no means fully to be recognized.

The latest reports regarding the current movement of prices, however, show some slackening in general price increase and in a few commodities indicate minor recessions perhaps of a temporary nature. This is in a certain way a favorable indication, but of course suggests its own problems, and is interpreted by some as implying that demand has slackened considerably, and that there is consequently an inability to work off existing stocks of goods at the prices already fixed.

Whatever the force of this suggestion may be, it is thus far representative of a fairly limited condition of things, although, as already stated, the extremely high prices of all commodities are regarded as pointing the way to an inevitable curtailment of demand with resultant effects on business. Certainly this effect, whatever it is, has not yet reduced the volume of business to any marked extent.

Money Scarcer and More Costly

Money, however, is rather scarcer and rather more costly than heretofore. It is true that, during the past two or three weeks, the call rate has at times been as low as 4½% for some days at a time, but time funds have been firm around 5¼% or higher and have frequently been unavailable except at a rate of 5½% or better. Commercial paper has likewise tended to go higher, and there has been abundant indication that the trend of money is still upward, and may be expected to continue so.

At present, the movement of liberty bonds, which are usually taken as a fairly good index of money costs, is decidedly toward lower levels. There has been no further discussion of discount rate advances; and, if anything, the movement of the portfolios of Federal reserve banks has pointed to a slackening of demand for credit. As long as this is the case, it is difficult to contemplate any very serious advance in reserve-bank charges pending the time that there is evident draft upon the resources of Federal reserve banks.

There is still an influential party in the Federal Reserve System which desires to see rates raised, even if only as a matter of caution and warning to those who might otherwise take it for granted that they could go ahead without fear of having money cost them more when the time comes to rediscount. Whether they will succeed in bringing about an early rate advance, unless there should be some material enlargement in reserve-bank portfolios is, of course, far from certain. The warnings which have lately been issued by various influential figures in the business world, and particularly by the Council of the American Bankers Association, which ended its sessions on April 27, point to possibly higher rates and smaller availability of money. And, while they do not say anything about higher rates of interest at reserve banks, they certainly suggest such advances as a possibility.

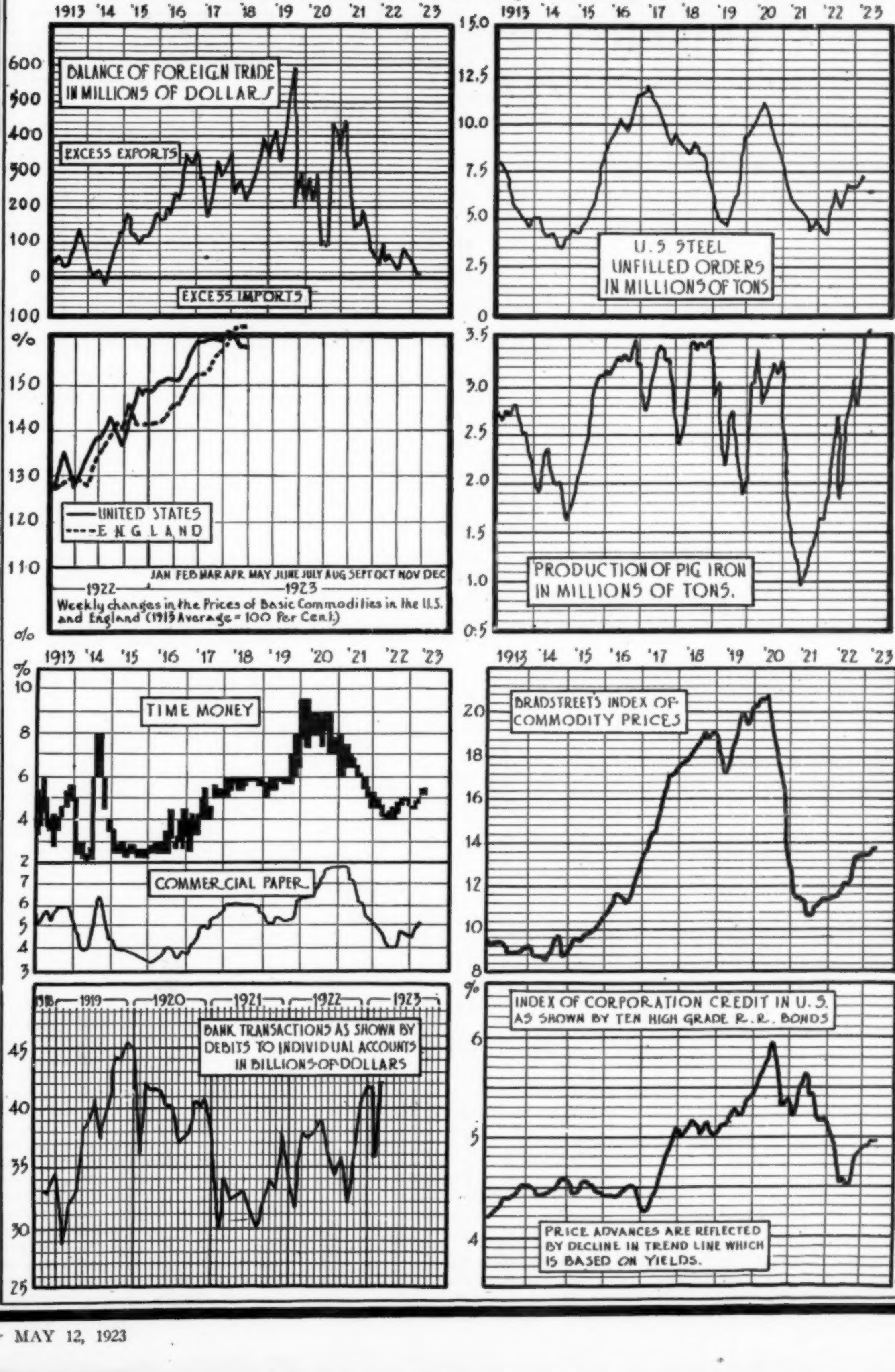
Except for some temporary reactions toward higher levels of value, the general trend of corporation bonds has been on the whole towards slightly lower level yields, as shown by the accompanying diagram, being only about maintained or perhaps increased here and there in a very minor way. Apparently the bond market is nearly stable except in the more speculative descriptions, pending some new develpoment with respect to actual money costs. In these conditions the tendency to defer corporate financing is naturally somewhat strengthened. Relative inactivity in bond credit as shown by the diagram naturally results from the great increase in aggregate amount.

Foreign Trade Uncertain

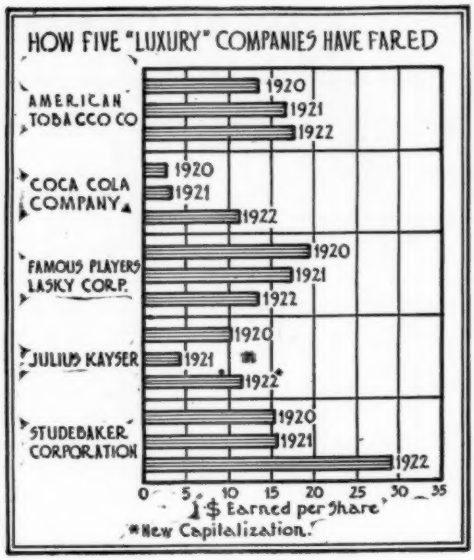
The figures which have been slowly made public by the Government with re-

(*Please turn to page* 81)

THE TREND OF MANUFACTURE, TRADE AND COMMERCE



Are Luxury Stocks Unsafe?



An Accepted Theory Tested by Facts—A Different Method of Classifying Industries

By STANLEY J. BANKHURST

IT often happens in a discussion of stock values that some one will make some such remark as the following: "Oh, it's a good stock, all right, but it's in a luxury industry, you know. In case of a recession in business, purchasing power will go down and the first thing people cut down on are luxuries Stocks have gone up so high that now is the time to be conservative." So by way of being conservative he goes out and buys himself some steel or copper stock, and lo and behold, at the first signs of depression everybody refuses to buy copper and the copper companies shut down their plants, pass their dividends, and generally proceed to disappoint the would-be conservative.

As a matter of fact, the writer had the curiosity to check up how this widely-accepted dogma worked out in actual fact during the depression of 1921. It thereupon appeared that stock for stock, the so-called "luxury" industries, appear to have shown better earnings in 1921 than the so-called "essential" industries, whether taken for the single year or in comparison with 1920. Figures on five stocks, representing five typical luxury industries, are given herewith in further substantiation of this statement. If all the essential-industry companies had done as well, the stock market would never have been aware that there was such a thing as a depression.

This suggestive article, submitted by a contributor, directly contradicts the belief, shared by most students of financial matters, that companies engaged in "essential industries" are apt to fare better than those producing luxury articles. He cites the earning records of five companies which could reasonably be said to be "luxury" concerns," in support of his view. The products of these companies, he points out, are not exactly competitive materials in an open market, as they sell largely on the strength of the name they have made for themselves. Most producers of so-called "essential commodities," on the other hand, he says, work on relatively smaller margins of profit, in a highly competitive market in which one unit of the given commodity is as good as another, so that they are liable to fare worse in periods of depression. It would be of interest to get the opinion of our readers on this novel point of view.

So much for the mere facts of the case. But facts alone never prove or disprove a theoretical position; there must be a logical reason why the facts are as they are and not something else. This reason appears when we examine the nature of the luxury and the essential industries. While the term "luxury" may be objected to as somewhat indefinite, still there will be a high general degree of agreement on what is or is not a luxury from the standpoint of the average consumer; it is something with which he could dispense with wholly or in part without materially lessening his (average) standard of living.

What Is an "Essential"?

When we come to the term "essential," however, we find that there are two ways of taking it. Wall Street usually takes it in the sense of essential to the economic life of the nation, e.g., steel, railroads, etc. The ultimate consumer, however, means by "essential" merely the daily necessities of life. Now it is a curious fact that a large part of these necessities are not of interest to Wall Street—typical of these are wood, crockery, minor vegetables, etc. This kind of "essential" industry has in common with all kinds of luxury industry the fact that its products go directly into consumption, whereas there are many industries which would be called essential by any student of business which the average or ultimate consumer, for all practical purposes, knows nothing about. Steel billets may go from 2.30 to 2.45 cents a pound without making the "man on the street" turn a hair, inasmuch as he has never seen a steel billet in his life and wouldn't recognize one if he saw it. Should potatoes go up a cent a pound he will set up a distinctly audible yell, however, little as it may affect the course of the stock market.

Important Distinction

We see, therefore, that in addition to the distinction between luxury and (in a certain sense) "essential" industry, there is another distinction between articles which go directly into consumption and articles which are used only by producers in the manufacture of articles for consumers. Some of the articles that go directly into consumption may be called "luxuries," and all luxuries go directly into consumption, as they are of no use to the producer as producer; others may be called "necessaries of life," but they have this in common, that they go straight from producer to consumer without passing through intermediate producers on the way.

It develops, on investigation, that they also have in common the fact that they stand up better in periods of depression than articles of interest to producers only. For instance, the Borden Co., distributors of fluid milk and manufacturers of milk products, earned $11.44 a share in 1921 compared with $10.95 a share in 1920. Now milk would scarcely be called a luxury, though a housekeeper would be more apt than an economist to call it an "essential." Curiously enough, however, the net profits of Coca-Cola Co., which few people would hesitate to call an out-and-out "luxury" stock, also went up in the same period, from $2.88 to $3.29.

The point of this is not that people drink more milk or Coca-Cola in periods of depression to drown their business troubles, but that, whether essential or luxury, the company which has the closest contact with the ultimate consumer is the one which seems to be apt to resist business depression the best.

There is a mechanical analogy between this situation and a lever. If the ultimate consumer be taken as the fulcrum, the closer the point of application is to the point of support, the more pressure is required to move it a given distance, or under equal pressures a point nearer to the fulcrum will move a shorter distance than a point further away.

The conclusion would, therefore, be that students of the market should drop the distinction between "luxury" and "necessity" stocks; in the first place, because the distinction is a purely arbitrary one, and rests on psychological and semi-ethical valuations, which have no place in a study of business conditions. During the war, for instance, it was necessary for military purposes to distinguish between "essential" and "non-essential" industries, and this may have strengthened in many people's minds the natural notion that there is something more respectable and

solid about a so-called "necessity" than a so-called "luxury."

The Real Distinction

As a matter of fact, however, the results of the preceding analysis indicate that the real distinction is not between luxury and necessity, but between industries catering to direct consumption and those that deal with producers, who may in turn produce either for direct consumption or for further production. They indicate, moreover, that the closer an industry is to direct consumption the less likely its sales and consequently its earnings are to fluctuate with the fluctuations of general business prosperity, whereas the further removed it is from consumption by intermediate layers of producers the more likely it is so to fluctuate. And in the third place, from the foregoing, the conclusion seems to be inevitable that to a large extent, luxuries, instead of being peculiarly vulnerable to declines of business prosperity, are on the contrary peculiarly resistant to such declines; which is the reverse of the theory popularly held.

Of course it is realized that far-reaching exceptions must be made to the above conclusions. The broader the field, and the lower the cost of individual units of the luxury in question, the better the showing it is likely to make in times of depression. For instance, a builder of yachts would be unfavorably affected by a period when his wealthy clients were forced to retrench, and his business might decline from four orders a year to two. A manufacturer of cheap face powder, on the other hand, might scarcely feel the depression at all.

The question of inventories bulks largely in these matters, too. Industries like clothing and shoes, for instance, which require the keeping on hand at all times, good or bad, of a fairly large amount of capital tied up in stock, are apt to suffer from depression because of the sheer intensification of competition and the establishment of comparisons of value in classes not normally competitive. A man who buys a certain high-grade kind of shoe, irrespective of the lower price or even better value of cheaper shoes, may be compelled to consider the merits of the latter in periods of depression, although normally there would be no competition, for him, between the two classes.

In Favor of Luxury Stocks

This brings out another point in favor of the stability of luxury goods during periods of depression. Many of them, by means of extensive and long-continued advertising campaigns, have so impressed the peculiar virtues of their product on their clientele that they have established it as unique, that is, monopolistic and hence non-competitive. A smoker, passionately convinced of the merits of a particular cigarette, will very often be unimpressed by drastic price reductions in competing cigarettes, so that his brand, for him, enjoys a monopoly market by virtue of its trade-name and hence is not affected by general changes in business prosperity except insofar as they may affect his total consumption of the cigarette in question which, owing to the low cost of individual boxes of cigarettes, is very likely to be unchanged.

In general, direct consumers change their buying habits with difficulty, while those who buy for further production can readily be made to change their buying habits by force of competition and price reductions in a breaking market. Even in the articles of indirect consumption, that is, consumption by producers, there is such an element of trade-marked monopoly or patent right, as in the case of equipments, special steels, etc., but these are comparatievly rare, whereas in consumers' goods what may be called a "psychological monopoly" is extremely common.

For these reasons it seems that we should change our notions of the probable action of luxury industries in periods of depression, and hold that luxury companies, in common with other direct consumers' goods, should earn more money, other things being equal, than producers of essential articles of indirect consumption.

Agriculture Still in the Doldrums

Continuation of Boom Depends on Restoration of Farm Buying Power

THE accompanying graph (compiled by the Federal Reserve Board) clearly indicates the marked discrepancy which exists between the prices of the various principal commodities such as lumber, minerals, farm and animal products. The graph reveals the fact that forest products have gained the most since the post-war period of depression and that producers of farm products and those engaged in animal husbandry have gained the least.

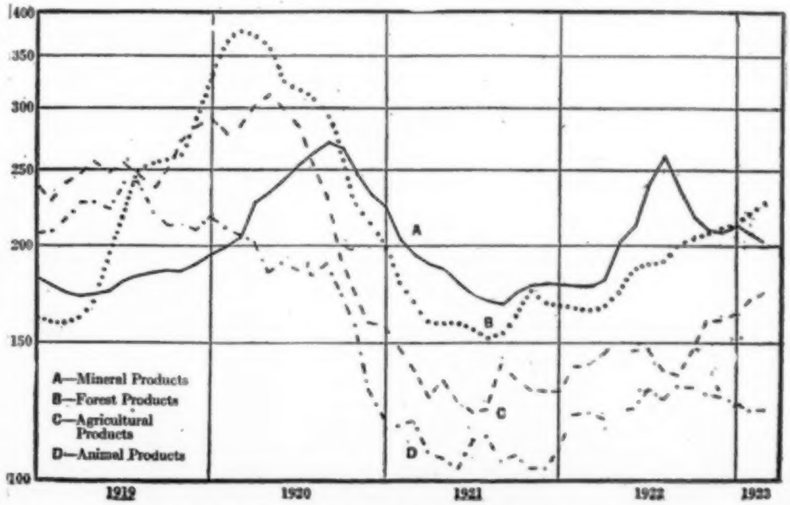
Pretty generally, all the commodities enumerated on the graph have made gains in the past few months, but it will be noted that, in terms of the 1913 normal, they do not occupy the same levels. Thus, mineral products are now at about 210% of normal, and forest products at 230%, whereas farm products are at only 175% and animal products at 150%. Clearly, producers of the last two named commodities are at a disadvantage as compared with producers of the first two commodities. Furthermore, the present average of agricultural prices includes the tremendous gain of cotton, so that if this commodity were to be eliminated, the actual level of farm prices would be even lower than actually appears on the graph.

Of More Than Statistical Interest

These inequalities in the price level are of far more than mere statistical interest inasmuch as they affect large percentages of the total population. It must be obvious, for example, that the farmer is not nearly so well off as the lumber man and that the raiser of livestock is not nearly so well off as the miner.

Such inequalities in the situation tend to indicate that unless a definite trend starts in toward leveling them, the result must sooner or later be the withdrawal of large sections of the population from the market with consequent losses to business, in general.

It is for this reason that the course of commodity prices should be watched closely during the next few months, for if they continue to reveal any such wide discrepancies as now actually exist, we must expect an earlier termination of the present business move than would otherwise come about.



Price average of raw materials (1913=100)

Industrials

Which Are the Successful Investments?

Why Some Securities Are Consistently Over or Undervalued

By JAMES H. SMITH

THE simon-pure investor in common stocks measures the success of his investment by just one thing: how high a return, over a period of years, has he obtained from the money invested in a given common stock as against the possible return over a similar period from a similar amount invested in other stocks? He is interested in market prices only in so far as they affect the general level of yields on common stocks, and so indicate to him whether he is getting a better or a poorer yield than normal.

The term "return" must be taken in a broad sense to include all forms of income derived from the investment—not only regular cash dividends, but rights to subscribe to new stock below the market price, stock dividends, extra dividends in cash or stock of controlled companies, etc. In the accompanying tabulations, however, for the sake of uniformity, only the cash dividends as of each year are considered, although in every case practically the result is to understate the actual returns to the investor. For comparative purposes, however, the cash dividends tell the story.

The first thing that strikes us about the earnings and dividend records of industrial leaders, herewith appended, is that while some of them are still paying dividends at about the average of the last ten years, others are paying much more or much less. This is a rough-and-ready means of separating the real "old-line" investment securities from those which have only recently been seasoned, or are tending to lose their investment status.

General Electric, Union Pacific, Woolworth, and American Telephone & Telegraph illustrate the kind of stock which does not vary its payments much from year to year. In the case of American Woolen, American Car & Foundry and Studebaker we have typical comparatively "unseasoned" stocks, which have only recently acquired an investment status. This is indicated by the fact that their present rate of dividends is well above their average for the last ten years.

This seasoning process, and the stability of income which it implies, are of great importance to the investor, particularly the one who has large amounts of money invested in this type of security. It will readily be understood, for instance, that it is more advantageous to the investor to receive 5% dividends for four years in succession than to receive nothing the first three years and 20% in the fourth. The difference is that the 5% received the first year will have been earning compound interest for three years, the 5% received the second year for two years, and so on, while in the latter case the money has been completely unproductive up to the fourth year.

While the two investments have been equally profitable from the point of view of simple interest, the first has been considerably more so from the standpoint of compound interest. This difference becomes more and more important as the sums involved are larger, and an alert investor disposing of a fairly large investment capital would be justified in preferring an investment that yielded 6% continuously over a period of years to one that averaged 7% with great irregularity.

One other point remains to be cleared up by way of introduction. As the country has grown, the leading industries have grown with it, and correspondingly also the leading companies within the industry. This has shown itself, in increasing volume of business, and increasing net profits. Where a company has been able to finance its necessary expansion out of its own profits, or has had considerable working capital to begin with, this tendency has worked itself out in increasing earnings per share. Where appeal to outside capital has been necessary, earnings per share have tended to rise slowly or remain stationary, while capitalization has been increasing. U. S. Steel is an example of the first type of growth; American Tel. & Tel. of the second.

Apart from the growth of an industry as a whole, there has often occcurred a displacement of the center of gravity from one company to another within the industry, so that a previously small company rises to a position of dominance within its industry while a previously dominant one declines. U. S. Rubber, for example, has grown more rapidly than most of its competitors and as a result is the biggest factor in its field today. Where expansion of the industry as a whole and competitive growth within the industry have come together, as in the case just cited, or Studebaker, the results have usually been most gratifying to stockholders.

To gauge our estimate of the future by our knowledge of the past, therefore, we must look for companies dominant or promising to become dominant in their field, and that field a growing one. Stability of earnings and dividends in the past should be taken as a guide, but not an inflexible rule, in determining which are the healthy industries.

Of course, earnings and dividends are not synonymous, nor is there any necessary connection between the two, at any given time. We can say this much in general, however, and it is a very important point. Those companies which have been making large profits in the past and which have refused to pay out more than a limited percentage of them in dividends have usually had to provide for new construction, and lay aside a large working capital as a form of business insurance.

These needs have now in the majority of cases disappeared. In many lines of industry, such as the automobile, tire, steel, coal, and others, there is a general

EARNINGS AND DIVIDEND RECORDS OF INDUSTRIAL LEADERS

Industry	Company	Average Earnings 1913-1922 Per Share	Average Cash Divs. 1913-1922 Per Share	Present Div. Rate
Railroad Equipment	Amer. Car & Foundry Co.	$16.71	$4.70	$12.00
Sugar Refining	Amer. Sugar Refining Co.	9.42	6.58	....
Telephone	Amer. Tel. & Tel. Co.	10.25	8.15	9.00
Tobacco	Amer. Tobacco Co.	23.84	20.10	12.00
Textile	Amer. Woolen Co.	11.61	4.13	7.00
Mining	Anaconda Cop. Mining Co.	*4.84	*4.05	3.00
Leather	Central Leather Co.	4.16	4.48	....
Coal	Consolidation Coal Co.	10.98	6.30	6.00
Elect. Equipment	General Electric Co.	15.93	8.10	8.00
Farm Machinery	International Harvester Co.	12.03	5.68	5.00
Mail Order	Sears, Roebuck & Co.	13.70	4.38	....
Oil	Stand. Oil Co. of N. J	*†16.02	*†6.00	1.00
Automobile	Studebaker Co.	15.99	5.65	10.00
Packing	Swift & Co	12.15	11.26	8.00
Railroad	Union Pacific R. R. Co.	16.27	9.95	10.00
Building	U. S. Realty & Impvt. Co.	8.07	1.13	6.00
Rubber	U. S. Rubber Co.	12.92	2.85	....
Steel	U. S. Steel Corp.	16.22	7.00	5.00
Chain Store	F. W. Woolworth Co.	15.12	7.60	8.00

* 1912-1921. † On present stock of $25 par.

feeling that further expansion in productive facilities is not advisable for some time, as these facilities are enough to satisfy the normal domestic requirements and even leave a margin for supernormal requirements in boom times. At the same time, during the war and post-war booms, most conservatively-managed corporations built up their working capital reserves until they are well above the reach of possible adverse contingency. The equipment companies, electrical manufacturing companies, U. S. Steel, are examples of concerns which are so well fortified with liquid assets that it would be more than conservative of them to attempt to add further to them.

Under these circumstances, the stockholder has a right to expect that a larger portion of the company's net profits will be distributed to him in the form of dividends than has been the case heretofore. Only where the industry is extremely hazardous or subject to fluctuation, or should money rates are expected to go up very high, would this expectation be unjustified.

Our guide for such cases would be the ratio between the average earnings and the average dividends in ten years. Looking over our list with these points in mind: high earning power, low ratio of average dividends to average earnings, small likelihood of further need of capital for business expansion or working capital reserve, lack of hazard or wide fluctuation in the industry, **we find among the stocks with the most favorable prospects American Car & Foundry, American Woolen, Consolidation Coal, General Electric, International Harvester, Sears-Roebuck, Standard Oil of New Jersey, Studebaker, Union Pacific, U. S. Rubber, U. S. Steel.**

This list is merely presented for the consideration of the reader from the following standpoint: These companies have little use for additional funds; they have made much money in the past, paid out little of it, and in the future are likely to earn about as much and to pay out more. As to whether the market has already discounted these features, or which are the most promising members of the group, the prospective buyer must examine the companies analytically, one by one, in a manner and to an extent outside of the scope of this article.

It must also be remembered that as a matter of market history, many stocks have been persistently over or undervalued, for years on end, and often for no accountable reason. In the accompanying graph, it is evident, for instance, that for most of the last ten years American Tobacco has been selling on a much higher yield basis than was justified by its position in the industry, its earnings, financial position, or any of the other factors usually taken into account in analyzing an investment.

A stock like this illustrates perfectly the nature of the difference between an investor and a speculator. To the latter, American Tobacco would be a tremendous disappointment, all in all. He may have picked it up to yield 9 or 10% at a time when good rail investments were yielding 5 or 5½%, in the expectation that it would shortly sell on an investment level corresponding to that of N. Y. Central or Union Pacific. Instead of this, it continued selling for many years on a yield basis considerably higher, in other words, the market price failed to reflect its intrinsic value. **Even at the present time, from a purely investment viewpoint, it is yielding more than the average company of its size and standing.**

From the viewpoint of the simon-pure investor, however, this state of affairs was eminently satisfactory. He was getting a large yield on his investment all the way through this period, and could even reinvest his income in fresh purchases of the stock to give him an equally large or a larger yield. Considering the fact that in this way he could realize compound interest on an average basis of 9 or 10 per cent, for almost ten years, not counting the stock and extra dividends of 1920-22, it is scarcely an exaggeration to say that he could not have come out better had the stock doubled in market price.

The regularity of the income payments would have been another point in favor of American Tobacco common as an investment.

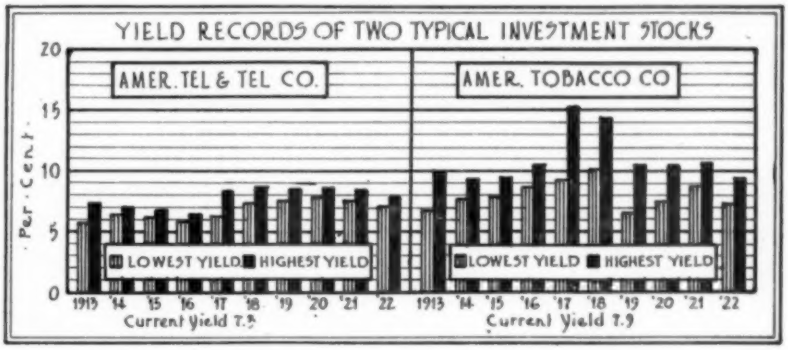
In view of what has been said before it will be evident that dividends in the future should be at a higher rate than in the past, owing to the changed conditions of industry. This is not the only way, however, in which we may expect the future to differ from the past from data at present available. **Some industries should do much better than they have previously, such as the equipments, the tobaccos, and the sugars. Others, on the contrary, should not do as well, on the whole, because of increased competition within and without the country: among these we may class the coppers, the motors, the rubbers.** This does not imply that individual companies may not fare better in the future than they have in the past; it merely says that they will face more severe competition and that the industry as a whole should not be expected to make as much money. Still others, such as the railroads, American Tel. & Tel., Woolworth, should go along on an even keel for some time to come, for all that we know at present.

The prospective investor should analyze the industry as well as the company, from the point of view of one desiring to enter the business himself, as the stockholder does to all intents and purposes. In the accompanying tabulation, one leader from each of nineteen successful industries has been chosen, as indicating how the past history of a security can be used as a guide to an estimate of its future.

The two examples shown in the graphs should serve to demonstrate that a high yield is not necessarily in itself an indication of danger, if it be continued over a period of years. On the other hand, although it is stocks of this type which in the long run best serve the interests of the investor, it is these very stocks which need the closest scrutiny before the decision to purchase is made. An investor must be very sure of his ground before deciding that the whole market is wrong, and has been wrong for years, despite the precedents of American Tobacco and American Tel. & Tel.

He has in his favor the fact that some considerations which may affect the market price of a stock have no significance for him as an investor. A high-priced stock may be inactive and fail to attract market support for that reason, or there may be a large floating supply which would tend to depress the market, or it may be in an industry which for some reason or other the Street regards with distrust, although it may be intrinsically sound, or, and this is probably the most important, the stock market may be in a bear phase, in which stocks are ruthlessly sacrificed at cut prices irrespective of real values. **In all these cases, the investor has a chance to acquire a real "bargain," as measured by the income yield on the market price, and it often pays for him to keep out of the market for a long time, if necessary, to obtain such an investment.**

If he is a real investor, however, he must not go by the records of one or two or a few years, in determining whether a stock is likely to be a really successful investment. He must follow it back for a number of years, although of course not too far, because conditions may have changed so radically in the meantime as to make comparisons worthless. With as deep a background as practicable, however, he should try to get a long-range picture of the investment, and eliminate to the best of his ability the ever-present possibility that the low price may actually be the market's warning of a change in the investment status of value of the stock.



Switching from Weak to Strong Stocks

Suggestions to Investors Who Have Lost Money in Stocks

By FRED L. KURR

MANY investors make the mistake of continuing to carry a stock that gives them no return on their money and that is not likely to for years simply because they refuse to accept the loss involved. The average investor hates to take a loss and, rather than perform this operation on his holdings, will carry non-dividend paying stocks for years and tie up money that should otherwise be working for him.

Of course, their argument is that some day these stocks may come back. It is true that this often occurs in issues that apparently have little to look forward to, but it will often be found that before the looked-for move occurs, interest charges have marked up the original price to a figure that leaves very little, if any, profit for the holder.

This question of interest should be considered seriously by the long-pull investor. Suppose, for example, that in the bull market of 1915, American Can was purchased around 60. No dividends were paid on the stock until 1923 so that interest in the eight intervening years at the rate of 6% marked up the original purchase price of the stock to 88 and, if compound interest were taken into consideration, to considerably over 90. The purchaser of American Can therefore at 60 in 1915 would be little more than even at present levels. On the other hand, though Westinghouse Electric is selling at about the same price now as it was in 1915, and as it has paid dividends without a break throughout these eight years, it would have ostensibly given a better return to the investor than Can. This shows the superiority of holding dividend paying stocks.

An objection frequently raised to switching non-dividend paying stocks into dividend-paying stocks, especially when the former show heavy losses, is that while the dividend-paying stock will give a return, it may not give the investor as good an opportunity to recover his loss of principal as some of the more speculative non-dividend paying issues. This is true to a certain extent. For example, a man who bought American Sumatra Tobacco common in the 80's is not likely to be thrilled over the idea of selling out at 30 and switching into a stock like Southern Pacific paying 6% and selling around 90. He can't see how he will recover his money by making this switch and there is a good deal to be said for his argument. While a stock like Southern Pacific might advance five or six points in a bull market, there would undoubtedly be other stocks going up twenty or thirty points and these are the stocks that the hung-up investor is looking for. For the investor, therefore, who has heavy losses in certain stocks that do not seem to have a very promising future it is often undesirable to exchange for the dividend-paying stock which has already discounted its dividends in the market. On the other hand, if he is willing to assume a certain amount of risk in order to make up these losses, speculative non-dividend paying stocks that appear to be in a favorable position to start dividends in the near future offer a very good medium.

In the accompanying table, a list of fourteen issues is given which apparently have not any possibility of paying dividends for at least several years to come. Some of these stocks have had good records in the past and if held for a number of years might again come into their own. Among them, might be listed American Agricultural Chemical, Central Leather, Virginia-Carolina Chemical and Advance Rumely. However, all these companies have preferred stocks on which no dividends are being paid and on which back dividends are accumulating. Even should conditions favor these companies from now on, losses taken in the past two years would probably prevent any resumption of the preferred dividend for another year at least and there would then be the accumulated back dividends to be paid off before common stockholders could receive any consideration. A switch, therefore, into stocks of companies whose financial condition and present earnings appear to justify early dividend payments, would appear to be sound judgment.

Stocks such as American Hide & Leather common, Minneapolis & St. Louis, Missouri Pacific, New Haven and American Cotton Oil are apparently in the hopeless class as regards dividend payments. They are not generally held with the idea of ever receiving a dividend, but

STOCKS FAR FROM DIVIDENDS

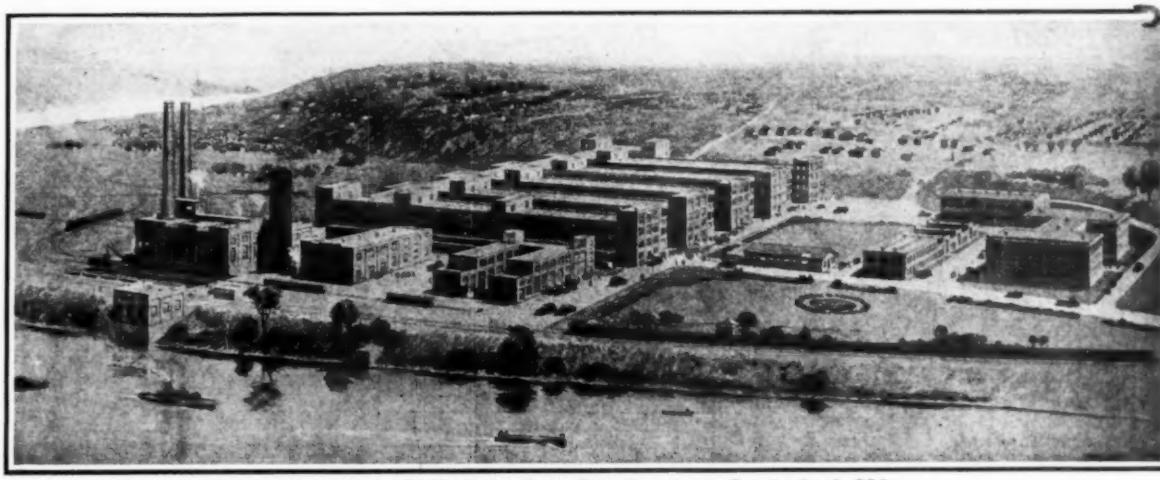
	Annual Deficits (In Millions)		Price Range				Present	
			←1921→		←1922→			
	1921	1922	High	Low	High	Low	Price	Remarks
Advance Rumely	2.5	0.2	19¾	10⅛	23	10⅞	14	Accumulated preferred dividends, 6¼%.
Am. Agricultural Chemical	*14.1	*1.1	65½	26½	42⅞	27¼	26	Accumulated preferred dividends, 12%.
American Cotton Oil	2.9	2.4	24¾	15⅞	30½	15¼	13	$8,500,000 notes, maturing 1924.
American Hide & Leather	0.5	†1.0	16	8	17⅜	10⅛	9¼	Accumulated preferred dividends, 128½%.
American Sumatra	‡0.5	‡3.0	88	28½	47	23¼	27	Accumulated preferred dividends, 10½%.
Central Leather	11.6	†1.5	43¼	22⅛	44⅛	29⅜	31	Accumulated preferred dividends, 14%.
General Asphalt	1.1	†0.2	78⅜	39½	73¾	37¼	41	Bank loans, 2 millions.
International Paper	8.9	9.0	73¾	38⅛	63⅞	43½	45	Bank loans, 12.6 millions.
Minneapolis & St. Louis	1.9	1.1	14¾	4⅝	14¼	5	7	7% preferred issue proposed.
Missouri Pacific	†3.5	1.0	23¼	16	25¼	15½	15	Accumulated preferred dividends, 23¾%.
New Haven*	14.1	4.8	23½	12	35¼	12½	18	Weak financial structure.
Superior Oil	1.5	0.7	13¼	3¾	8½	4	4	Weak financial condition.
Texas & Pacific	†0.3	†0.5	27¾	16⅛	36	18¾	22	In receivership.
Virginia-Carolina Chem.	§18.7	§1.9	42½	20¾	36⅞	23¼	14	Accumulated preferred dividends, 16%.

* Years ended June 30. † Surplus. ‡ Years ended July 31. § Years ended May 31.

STOCKS CLOSE TO DIVIDENDS

	Earned Per Share		Price Range				Present	
			←1921→		←1922→			
	1921	1922	High	Low	High	Low	Price	Remarks
American Sugar Refining	....	11.72	96	47⅛	85⅞	54⅛	75	Bank loans paid off.
Baltimore & Ohio	2.66	0.73	42⅜	30⅜	60¼	33½	48	Current earnings over $10 a share.
Cuban-American Sugar	Def.	1.47	33½	10⅞	28	14½	31	Current earnings $6 a share.
Julius Kayser	†0.77	†10.00	...	..	48⅝	34	35	Ratio current assets to current liabilities, 5 to 1.
Kelly Springfield	Def.	6.25	54⅞	32½	53¾	34¼	53	Ratio current assets to current liabilities, 10 to 1.
Loews, Inc.	†1.70	†2.14	21½	10	23¾	10⅝	18	Bank loans paid off.
Maxwell, Class A	....	4.19	45½	38	74¾	41¼	49	High rate of production.
Magma Copper	Def.	Def.	26⅜	17	35¾	26¼	33	New smelter in operation.
Pere Marquette	5.74	6.43	23⅞	15¾	40⅝	19	40	Bank loans paid off.
Spicer	Def.	0.87	..	..	24	15	21	Current earnings $5 a share.

* After depreciation and depletion. † Years ended August 31.



Plant of the Kelly-Springfield Tire Company, Cumberland, Md.

in the hope that a speculative upward move will come along some time which will enable the involuntary investor to slip out to advantage. This is really a poor reason for holding the stocks, for if there is such a move, the probabilities are that the favorable market conditions existing to bring it about would result in much more substantial advances in other stocks that have real merit behind them.

It is interesting to note the price ranges of these stocks in the past two years. In spite of the remarkable advance in the price of stocks from the low level of 1921 several of these issues at the present time are selling at or under the low prices reached in the 1921 bear market and most of the others are not far away from that level. This indicates that these companies have not been able to take advantage to any important degree of the business revival and it is certainly preferable to be interested in a stock of a company that can get back on its feet quickly when conditions improve.

Back in 1921, American Sumatra could have been exchanged for Stewart Warner at about the same price. There is now nearly 80 points difference in favor of Stewart Warner. International Paper could have been exchanged on about an equal basis for Studebaker, American Sumatra for Baldwin Locomotive and American Agricultural Chemical for Mack Truck. All of these switches would have made up any loss sustained and shown a handsome profit in addition. Of course, anyone can have good hind sight and these illustrations are simply given to show how important it is for investors not to become married to any security, for by adopting that attitude many wonderful opportunities are overlooked. In the present article, a short description is given of ten issues that appear to have excellent prospects of being in the dividend-paying class within a reasonably close period.

AMERICAN SUGAR REFINING Up to the debacle in 1921, American Sugar Refining had one of the best records of any industrial corporation whose securities are listed on the New York Stock Exchange. From 1891 up to the fall of 1921, the company never failed to pay a dividend on the common stock and from 1901 this dividend was never less than 7%. From 1901 up to 1921 the stock in each year never failed to get above 109 and never went below 82 and in fourteen of these years sold above 125, the high price reached being 148⅜ in 1919. Losses in 1920 and 1921 due to depreciation in inventory and bad debts were around twenty millions and in order to replenish working capital a thirty million dollar bond issue was put out in 1922.

As a result of this financing, American Sugar Refining is now in very sound financial condition with a working capital of 47 millions and no bank loans. This 30 million bond issue does not fall due until 1937 and there is no reason why American Sugar Refining should not resume dividends on the common stock in view of its present large earnings. In 1922, earnings amounted to 11.72% on the common and the outlook is for earnings of between 15 and 20 per cent this year. American Sugar Refining has invested many millions in Cuban sugar-producing properties which are now beginning to bear fruit and will greatly swell the income of the company this year. **As the situation sizes up at the present time, there is every reason for believing that this stock will in the near future regain its former high investment standing and eventually advance to its old high levels.**

BALTIMORE & OHIO This is an old line investment railroad stock that in the past few years has degenerated into the decidedly speculative class. However, there are many indications that the road is coming back and that the stock will regain at least a portion of its former standing. The common stock has an unbroken dividend record from 1900 to 1919. From 1907 to 1914 inclusive, it paid 6% per annum and, from 1915 to 1917 inclusive, 5%. In 1922, the road would have made an excellent showing had it not been for the two strikes which cut severely into earnings. This year, however, it is staging a rapid comeback and earnings for the first quarter have been at the rate of between 10 and 15% on the stock.

The company has a sound financial structure and if it can continue earnings on the present favorable basis, there is apparently no good reason why a fairly liberal dividend rate should not soon be inaugurated. **B. & O. is actually demonstrating at the present time a larger earning capacity than it has been able to show in the past decade and should there be no radical change in the present outlook, appears to offer possibilities of a very substantial appreciation in value.**

LOEW'S Loew's Inc. is a company that now appears to be definitely on the up-grade. A very good stroke of business was accomplished when it purchased Metro-Picture Corp. in January 1920 for approximately 4½ millions. Metro has produced such films as the "Four Horsemen" and the "Prisoner of Zenda" and has returned over three million dollars to the parent company to date. The company engaged in an extensive building program in 1921 which comprised 27 large theatres in principal cities throughout the United States. This program is now completed and added revenue from the new houses should substantially increase earnings this year. **The company has paid off practically all its bank loans and is apparently in a position to resume dividend payments at any time.**

CUBAN AMERICAN SUGAR Cuban American Sugar this year should show the largest earnings in its history, with the exception of 1920 when raw sugar went to 22½ cents a pound and the company earned $11.56 a share on the present one million shares of common of $10 par value. While earnings this year cannot be accurately estimated, $6 a share would be a very conservative prediction. The company owes nothing to the banks, has several millions in cash and sugar on hand, and is therefore in a position to pay out a

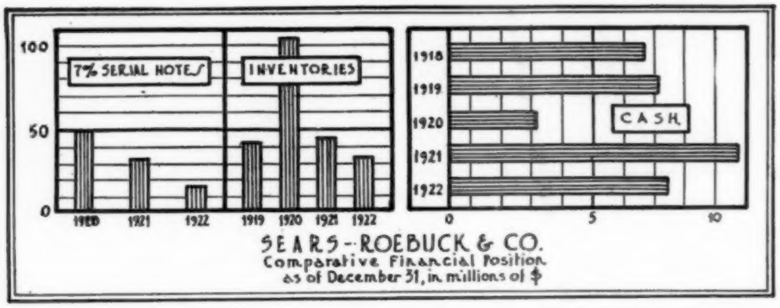
(*Please turn to page* 73)

Sears, Roebuck's Recovery

How Far it Has Gone—What it is Doing for the Common Stock

By W. M. GEOFFREY

THE fortunes of Sears, Roebuck since December 29, 1921, when its president, Julius Rosenwald, purchased sixteen million dollars' worth of its real estate and made it a present of 50,000 shares ($5,000,000) of its common stock, under a repurchase option, have eminently borne out Mr. Rosenwald's confidence.



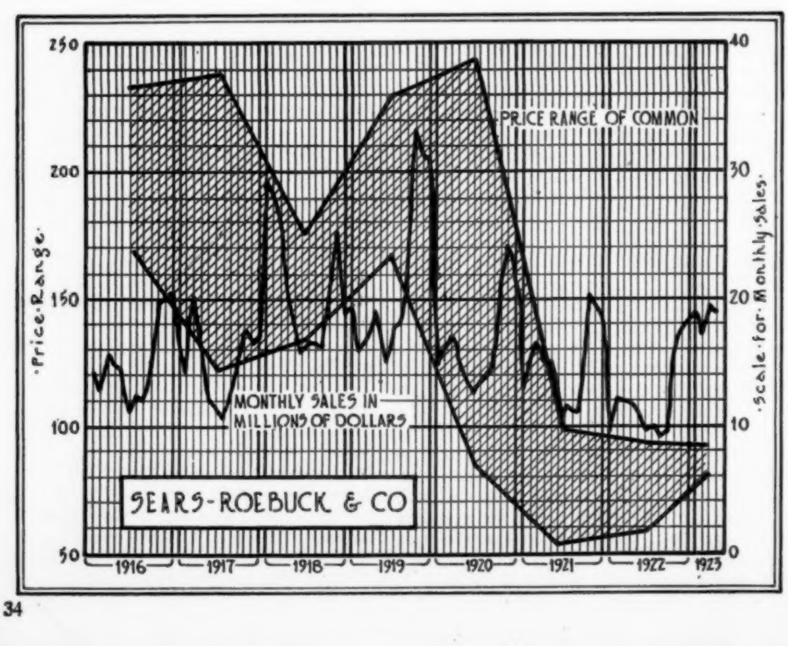
What Has Happened?

The company's sales have increased heavily in volume since the 1921 slump. It has managed to restore its turnover to a point more nearly approaching the normal at which good profits can be made and greater security enjoyed. It has cut down the heavy liabilities which grew up during the post-war slump in very material fashion—notably by a reduction, since December 31, 1920, of some 33 millions of dollars in outstanding notes. Finally, it has gotten its charges on a basis which permit larger recoveries in favor of the common stock.

The backing given by Mr. Rosenwald to the company benefited it in several ways. The real-estate sale, although neutralized so far as the balance-sheet showing was concerned, by a reduction in property assets equivalent to the sales price, nevertheless materially swelled the cash holdings and put the company into a position to better sustain its current obligations. This is indicated by the comparative cash holdings as of 1921, etc., shown in the graph herewith. The donation of stock evidently enabled the corporation to avoid a profit and loss deficit. Thus, the close of 1921 saw a P. & L. surplus of 1.74 millions, after deduction of 5 millions from capital liabilities on account of the stock gift. Without the gift, there would apparently have been a P. & L. deficit of some 3.3 millions.

Sales Booming at 30% Increase

The recovery in Sears, Roebuck's sales is illustrated in the large chart herewith. It is worth noting that current rate of sales is nearly 30% greater than at this time last year. This upswing, of course, is in large part attributable to the improvement in prices for farm products, notably the grains, and also to the greater stabilization in prices in recent months.



The chief evidence of Sears, Roebuck's recovery is the heavy reductions effected in current indebtedness. At the close of 1920, the company had short-term borrowing outstanding in the sum of 50 millions, and in the form of 7% serial notes. At the close of 1921, this account had been reduced some 17 millions, and there was a further sweeping reduction of almost 17 millions last year. The company now stands with less than 17 millions of this paper in the market, and there appears no reason to doubt erasure of the whole debt next October when it falls due, without refunding.

Outlook for the Common

How long it will be before Sears, Roebuck common is restored to an income-paying basis is a question. The corporation was able to show a balance of more than $5 per share last year, despite the heavy deductions made on account of indebtedness and inventory during the period; with comparatively light charges this year, a probable 30% increase in sales for the year and higher prices for its variegated merchandise, there would seem to be reason to believe that the corporation should be able to resume dividends, if the directors saw fit, before 1923 goes out. On the other hand, it is obvious that the once-crippled giant will be some time in building up its surplus reserves to a point justifying a conservative (and wiser) management in the resumption of dividend disbursements, and it would surprise this writer, at any rate, if favorable action were taken before well into 1924.

Conclusion

Under the circumstances, Sears, Roebuck common might be classed as a long-pull speculation, with the outlook, so far as can be seen now, favoring continued rehabilitation and eventual return of the issue to the semi-investment class.

U. S. Steel Corporation

What Will Steel Earn in 1923?

And What Chance is There of a Higher Dividend?

By DAVID E. KNIGHT

A SIGN of the healthy condition of U. S. Steel was manifested in the earnings lately published for the first quarter of 1923. For the first time since the depression of 1920 Steel earned its dividends, and, more important, yielded a surplus of nearly $5,000,000. An analysis of the first quarter earnings brings out many interesting facts that throw light on what may be expected in the second quarter, and possibly the third.

The earnings for the first quarter show that $2.20 was earned on common, after preferred dividends, compared with $.97 earned in the last quarter of 1922, and a deficit of $6,749,468 for the first quarter of 1922. Another feature is that the corporation wrote off a healthy sum for depreciation, sinking funds, etc., amounting to practically $4,000,000 more than the corresponding quarter of last year.

The earnings for the quarter, when further analyzed, show net earnings of 10.5 millions in January, 9.5 millions in February, with a gratifying increase in March to 14.7 millions. The slight variation of the first two months is due to lower production of the short month of February, while March showed the effects of the higher prices for steel together with the greater production of that month, in which the output of the corporation was rated at 93% of total. Thus, in spite of the fact that they operated at a lower rate than 90% for the first two months, and had not benefited to full extent on the rise in prices of commodities produced, with only one banner month, the corporation was able to pay all dividends, yielding a surplus of 4.8 millions, and earning $2.20 on the common stock.

The month of March, 1923, yielded $14,691,647, operating at a rate of approximately 93%. In that month the benefits from higher prices for finished materials was derived to a great extent. For this reason, it gives a fairly accurate basis for figuring possible net earnings for the second quarter.

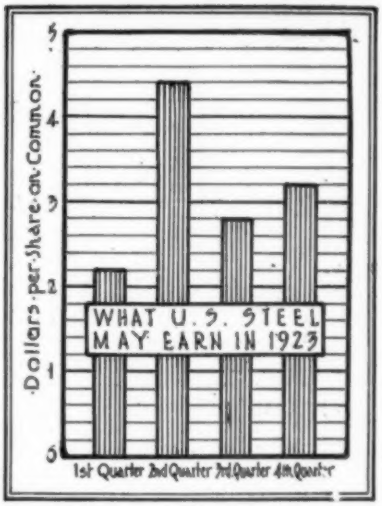
It is safe to say that the 11% increase granted the steel workers, effective April 16, 1923, has been more than discounted by the increased prices which are asked for the steel produced in this quarter. The earnings will appreciably increase each succeeding month, since the higher prices will naturally accrue to the later period of the quarter. On this basis, it is quite possible to figure, with some degree of security, the possible net earnings for the second quarter, allowing an operation at the present rate, although there is a slight chance of it being somewhat better for short periods. Therefore, it is reasonable to expect that the earnings will appear somewhat as follows:

Net Earnings	
April	$15,000,000
May	15,500,000
June	16,500,000
Second quarter net earnings	47,000,000

Allowing $18,000,000 for depreciation, sinking funds, etc., and payment of interest and premium on bonds, allowing the customary $6,300,000 for preferred stock, there remains a balance applicable to common stock of approximately $4.00 per share.

In other words, there is every indication that Steel will earn sufficient in the first half of the year to pay all dividends on preferred, take care of bonds and depreciation and have a balance left large enough to pay the dividends on common stock for the entire year, with a resultant surplus of some $7,000,000.

The third quarter presents a more difficult proposition in view of the possible labor situation that may be expected during the hot summer months, especially when outside work in other trades will offer higher wages, even though seasonal.



It therefore appears that a cut in output may be expected for this quarter with a resultant operation closely approximating 90% or less. It is not also amiss to figure that the higher prices for materials produced will be offset to a great degree by another possible raise for labor during this season, since the corporation will again meet with the necessity of preventing desertion from the mills due to inducements from other industries that will pay more for labor.

A conservative estimate would give us a balance between higher wages and higher prices for steel, so that the determining factor for the quarter would be rate of operation. A fair estimate would give us 13.5 millions per month net earnings or approximately 40 millions net earnings for the third quarter. Applying the usual charges, and preferred dividend payments, there would remain earned on common very close to $3.00 per share.

There is every reason to expect a good rate of operation in the last quarter, if unfilled tonnage is any criterion of future operations for the big steel company. The factors of wages and possible prices for steel can only be approximated, but assuming a fair rate of operations, as occurred in the first quarter, with high prices for finished products, and perhaps high wages to discount, there seems to be a compromise between the earnings of the first quarter of nearly 35 millions and the expected splendid second quarter of 47 millions or a net earning of approximately 41 millions. On this basis the common stock should earn approximately better than $2.50 per share in the final quarter.

A recapitulation of the earnings for each quarter will show that the total earnings of common for this year should approach very closely to $11.00 per share.

In view of the splendid conservatism of the corporation officials in the use of their surplus during the lean years of 1921 and 1922, it is reasonable to expect that a year which shows a high earning power will bring its reward to stockholders in the guise of an extra dividend at the latter end of the year, or the placing of common on a 6 percent dividend basis.

COMPARISON OF U. S. STEEL EARNINGS
(BY QUARTERS)

	Mar. 31, 1923	Dec. 31, 1922	Mar. 31, 1922
Net earnings	$34,780,069	$27,552,392	$19,339,985
Depreciation, sinking funds, etc	12,252,744	12,182,563	8,364,289
Net income	$22,527,325	$15,369,829	$10,975,696
Interest and premium, U. S. bonds	5,009,274	5,039,465	5,066,464
Adjustments	....	952,892	....
Total balance	$17,518,051	$10,330,364	$5,909,232
Preferred dividend	6,304,919	6,304,920	6,304,919
Common dividend	6,353,781	6,353,782	6,353,781
Surplus	$4,859,351	*$1,375,356	*$6,749,468

* Deficit after dividends.

What Do the Electrical Shares Offer?

1923 a Boom Year in Electrical Industry —Market Prospects for Three Leaders

By JOHN MORROW

RECORD OF THREE ELECTRICAL COMPANIES

	Sales Billed	Net Income	Earned on Common per share	Cash Paid on Common per share	Annual Surplus
ALLIS-CHALMERS—					
1917	$26,129,317	$4,010,490	$11.37	....	$2,392,115
1918	35,031,234	4,625,860	11.62	....	3,006,445
1919	30,224,083	3,599,700	9.57	....	1,819,540
1920	31,516,209	3,564,249	9.39	$3	1,647,207
1921	24,685,258	2,215,468	4.12	4	29,827
1922	20,794,045	2,208,549	4.08	4	12,908
GENERAL ELECTRIC—					
1917	$196,926,318	$26,903,822	$26.50	$9	$17,768,102
1918	216,815,278	17,104,982	14.77	8	7,939,360
1919	229,979,983	25,077,971	21.02	8	15,532,502
1920	275,758,000	22,132,288	16.62	8	11,476,066
1921	221,007,992	21,652,812	12.92	8	8,243,290
1922	200,194,294	26,231,000	14.63	8	12,157,390
WESTINGHOUSE ELECTRIC—					
*1918	$95,735,407	$15,405,681	$10.30	$3.75	$9,794,833
1919	160,379,943	15,059,000	10.06	3.50	9,822,224
1920	136,052,092	15,206,341	10.17	4.00	9,221,442
1921	150,980,106	12,617,535	8.44	4.00	6,632,642
1922	99,722,026	5,837,389	3.90	4.00	Def. 147,506
1923	**120,000,000	....	**8.00	4.00	....

* Year ended March 31st. ** Estimated.

ACTIVITIES of the big manufacturers of electrical equipment are at or seem to be approaching peak. However, as this is not a condition peculiar to the manufacturers of electrical equipment, it does not necessarily mean that the electrical manufacturers have reached the limit of earnings. The recovery in this line of industry was rather prompt in starting. As far back as last spring there were signs of a definite turn for the better. This gathered force as the public utilities companies found themselves on firmer ground and has continued to increase as general manufacturing activity has increased.

During the war period, public utilities, as a class, were not in a position to do much buying and consequently there has been a deficiency in equipment to make up, on top of the necessity for the increased equipment to take care of greater consumption of electricity. In the first two months of this year, electric power production was at a rate, which if continued, might mean an increase of from 35 to 40% over last year. The two big electrical manufacturers, General Electric and Westinghouse Electric had substantial earnings last year, while Allis-Chalmers, a third company which is engaged partly in that line, had a fair year. The present position of these three companies is interesting and deserving of discussion to fix the individual positions of the three but without any attempt to measure relative merits. **It is estimated that the public utilities of the country will spend a billion dollars this year on improvements and increased facilities and the makers of electrical equipment will get a large slice.**

Allis-Chalmers

Why Did the Stock Decline?

LAST year Allis-Chalmers common sold as high as 59¾. The high since January 1, 1923, has been 51¼ and there has been only limited activity in the stock, which pays dividends at the rate of 4% annually. In the neighborhood of 60 a $4 stock is just about normally valued if the dividend is well secured and reasonably well assured of indefinite continuance. In fact, in a strong, sustained general market upswing such a stock could be expected to sell somewhat higher than 60. The fact that Allis-Chalmers common failed to go through 60 and receded substantially from that level caused inquiry to discover reasons, if any.

Earnings last year were $4.08 upon the common stock, but included in these earnings was a sum of $500,000, representing the balance of reserves on certain contract guarantees which had expired and a part settlement of a foreign contract. This sum was equal to over $2 a share on the outstanding common stock, and therefore the results of last year's operations from current earnings were not regarded as altogether satisfactory. In addition, unfilled orders at the close of 1922 were approximately 8.2 millions against 7.3 millions at the close of 1921, which was not a large increase and apparently not in keeping with the rate of the general business recovery. Briefly, these appear to be the main reasons for apparent lack of interest in Allis-Chalmers common during the recent months.

At the beginning of the year plants were operating at from 60 to 65% of capacity with new orders coming mainly from public utilities companies. It has been mentioned that unfilled orders at the close of the year were about $8,250,000. There was no decided advance until the month of March. On April 1st unfilled orders were in excess of 11½ million dollars, a gain of between 35 and 40% over the total at the beginning of the year. This increase in business during March was the first decisive advance for many months and must have been doubly welcome because of the slow recovery during the last half of 1922 and the first two months of 1923, a slowness emphasized by the relative briskness of recovery in other lines.

Allis-Chalmers in its present corporate form is a relatively new company, having been incorporated in 1913 as successor to the Allis-Chalmers Company. It was a reorganization. Neither 1913 nor 1914 were encouraging years for big manufacturing plants making lines of heavy machinery, and thus the revamped Allis-Chalmers Company got off to rather a bad start and was unable to pay the full dividends upon the 7% preferred stock, to say nothing of dividends upon the common.

The war period did for Allis-Chalmers what it did for so many other industrial corporations. In the five years from 1916 through 1920, total earnings upon common were about $50 a share, an average of $10 a share per year. As a result, accumulated dividends upon

the preferred stock were paid off and the common was put up at a $4 basis in 1920. Through 1921 the present Allis-Chalmers had been in existence about 9 years and yet no one could say with any degree of positiveness what constituted normal earning power.

Allis-Chalmers is not a manufacturer of electrical equipment in the sense of General Electric and Westinghouse Electric, which concentrate along that line. Nevertheless, Allis-Chalmers does a considerable business in electrical machinery. It also turns out various types and kinds of steam, gas and oil engines, cement machinery, flour mill machinery, mining machinery and farm machinery.

Conclusions

Last year when earnings did not show signs of a decided advance during the closing quarter it was felt by some that perhaps Allis-Chalmers was not much more than a "war bride." This is ridiculous. Since 1915, profit and loss surplus has been increased from less than 1.5 to almost 12 million dollars. There has been no change in capitalization, the amount of preferred remaining at $16,500,000 and the common at between 25 and 26 millions. It may be that Allis-Chalmers was liberally capitalized when it was reorganized back in 1913, but it would seem that in times of business activity earning power is sufficient to cover a $4 dividend with a substantial margin to spare. It is rather unfair to compare present earnings with those attained during the war period. Earnings then, frankly, were abnormal.

Due to the payment of accumulations, made possible by war earnings, preferred stock owes no back dividends and is now relatively well protected by earnings. It has not reached the high grade investment level but seems to be entitled to a good grade rating.

The common stock is still an earning power proposition. In a market where the trend is upward it ought to have a range of from present level of around 50 up to 60 or 65. It is a speculative issue with only spasmodic market interest. **It is not especially seasoned but the increase in unfilled orders as currently reported, may have the effect of stimulating more confidence in earning power under active business conditions.**

General Electric

Recent Progress of an Industrial Giant

AT the end of 1921, General Electric had on its books between 45 and 46 million dollars of unfilled orders, which was equivalent to about 10 weeks' operations and not a particularly encouraging total. By April, 1922, the tide had definitely turned and orders booked in the first three months of 1922 assumed proportions large enough to warrant predictions of a satisfactory year. As long ago as April, 1922, it was estimated that the full year would show a business of at least 200 million dollars, and these predictions were borne out by actual results. Net sales billed last year were slightly over 200 million dollars. It was true that the volume of business in 1921 was larger than that in 1922 but costs were so much lower last year that net earnings were larger than those for 1921. Therefore, for the past year, it has been known and publicly recognized that General Electric was doing an eminently satisfactory business and one which promised an excellent surplus for share capitalization.

Much of the recent discussion about current business and the outlook had its base on the theory that volume has reached the peak and that we must take for established fact that general trade activity as measured by volume is almost of boom proportions. The 1922 year of General Electric could hardly be characterized by the adjective "boom," whereas a year like 1920, when net sales were 275 million dollars, could be so characterized. The evidence at hand indicates that 1923 may be another "boom" year. At the end of 1922 unfilled orders were over 76 million dollars, an increase of 70% over the total of the year preceding. It is reported that in the first quarter of 1923 orders totalled 80 millions compared with 51 millions in the same quarter of last year, an increase of 56%. If the rate of the first quarter were continued throughout the rest of the year, General Electric would do a business of 300 million dollars or more.

If the 1922 margin of profit is maintained in 1923 the surplus for the common stock would perhaps be 20 dollars a share. Such an estimate, with only 25% of the year completed, is naturally a tentative one and subject to readjustment, but as far as it goes it indicates that General Electric is on the way to a big year and substantiates to some extent the argument that current business is at or near peak. The fact, however, that it is at or near peak does not necessarily invalidate the thought that earnings for stock this year may be larger than those of last year, and this possibility is of pertinent and important interest to shareholders.

Since the first of the year there has been a material increase in the demand for central power station equipment,

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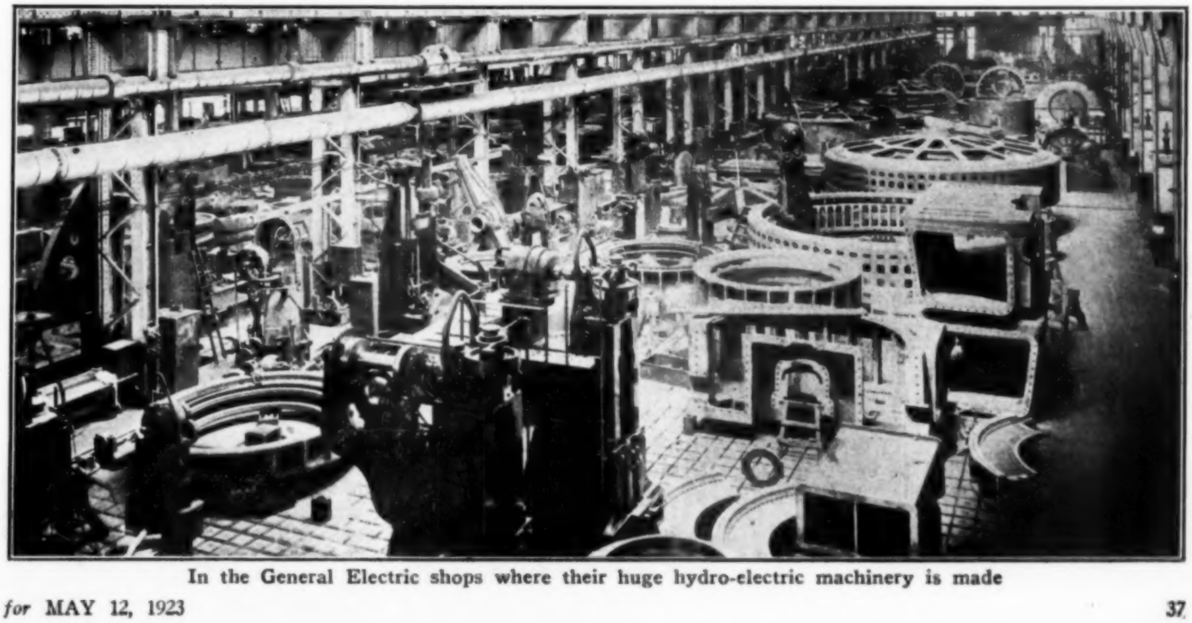

In the General Electric shops where their huge hydro-electric machinery is made

The big middle western public utilities have placed large orders for turbines and the eastern companies have been in the market for similar equipment as well as for street railway equipment. Naturally the base of General Electric's earning power, in the last analysis, rests upon domestic consumption of electricity. One of the General Electric engineers estimated that only about 35% of the homes in the United States were wired for electricity. It is therefore estimated that 3.5 millions will be connected up for electric service during the next five years. Carrying calculations a step further the estimate was reached that present possibilities meant an increase of annual gross of nearly 200 million dollars from domestic load.

General Electric has long been known for conservatism of management and for the consistent maintenance of a strong treasury position. This is exemplified by the balance sheet at the end of 1922. At that time cash and U. S. Government securities on hand exceeded 85 millions, which compares with 63 millions at the end of 1921. At the end of 1922 current liabilities were confined to the normal accounts and net working capital of almost 180 millions was larger by 24 millions than any previous total. One of the strongest features of General Electric's accounts has been the treatment of manufacturing plants asset value.

The net book value of these plants as of December 31, 1922, was between 62 and 63 million dollars. The cost of plants in use was over 167 million dollars, but against this has been set up for plant reserve and depreciation over 104 million dollars. Another interesting feature of General Electric position is the investment securities account carried on the balance sheet at almost 64 million dollars. Income from this source last year was 3.2 millions. Presumably included in this investment account is General Electric's interest in the International General Electric Company, which conducts the export business. Last year this export company had a net profit of 2.25 millions, out of which dividends of $700,000 were paid. It is understood that export business has shown improvement since the first of the year.

Conclusions

On February 21, 1923, the 16 million dollars 6% bonds of 1940 were called for payment, leaving General Electric at the present time with a total funded debt of less than 23 million dollars, of which over 5 millions consists of employees' investment bonds. The main issue outstanding in the hands of the public is the issue of 15 millions 5% debentures of 1952. Although this is a debenture and not a mortgage issue it is so heavily protected by earning power as to give the bonds that constitute the issue a very high investment rating.

For a time, in addition to the cash dividends paid upon the common stock, General Electric was paying 4% dividends in common stock. Last year this

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Preferred Stocks

Display Sagging Tendency—Business Light

THERE was very little interest in the market for preferred stocks. American Can and American Woolen preferred continued to reflect the weakness shown by the common stocks of those companies, with declines of over two points each, but business was light and there were few offerings at concessions. General Motors debentures were strong and Associated Dry Goods first preferred advanced to 88. The general market, although showing small declines here and there, indicated no weakness, and the senior stocks of a number of companies whose common shares were under pressure, made only fractional response to such declines. Indications are that any further irregularity in common stocks will find very little reflection in quotations for preferred issues, while any improvement in the speculative market is likely to be followed by an upward trend in these stocks.

PREFERRED STOCK GUIDE

	Divid'd Rate $ Per Share	Approx. Price	Approx. Yield	Divid'd % Times Earned
Sound Investments				
INDUSTRIALS:				
American Sugar Refining Co.............(c.)..	7	106	6.6	1.8
American Can Co.......................(c.)..	7	106¾	6.5	2.2
American Ice Company..............(n.c.)..	6	83	7.1	6.0
American Woolen Co....................(c.)..	7	103½	6.7	2.9
Allied Chemical & Dye Corp..........(c.)..	7	110	6.4	(x) 4.5
Baldwin Locomotive Works...........(c.)..	7	112	6.2	5.4
Cluett-Peabody & Co..................(c.)..	7	102	6.8	4.5
Endicott-Johnson Corp.................(c.)..	7	112½	6.2	6.0
General Motors Corp. deb.............(c.)..	7	103	6.8	(y) 5.4
Kelly-Springfield Tire Co...............(c.)..	6	89	6.7	13.2
Loose-Wiles Biscuit Co. 1st............(c.)..	7	106	6.6	3.5
Standard Milling Co................(n.c.)..	6	90	6.7	5.2
PUBLIC UTILITIES:				
North American Co....................(c.)..	3	45	6.7	6.0
Philadelphia Company.................(c.)..	3	43	7.0	5.7
RAILROADS:				
Bangor & Aroostook...................(c.)..	7	90½	7.7	2.5
Chesapeake & Ohio conv...............(c.)..	6.50	102½	6.3	(z) 6.6
Chicago & Northwest partic...........(n.c.)..	7	114½	6.1	6.3
Colorado & Southern 1st..............(n.c.)..	4	57	7.0	6.2
Middle-Grade Investments				
INDUSTRIALS:				
Armour & Co. of Del...................(c.)..	7	94	7.4	(z) 2.9*
American Steel Foundries.............(c.)..	7	100	7.0	5.0
Allis-Chalmers Mfg. Co...............(c.)..	7	94½	7.4	3.2
American Smelting & Ref. Co.........(c.)..	7	99	7.0	2.5
Associated Dry Goods Co. 1st.........(c.)..	6	88	6.8	2.7
Brown Shoe Co.........................(c.)..	7	94½	7.4	3.1
Bethlehem Steel Corp. conv...........(c.)..	8	108¾	7.3	6.9
Bush Terminal Buildings Co...........(c.)..	7	94½	7.3	1.1
Coca-Cola Co...........................(c.)..	7	96	7.3	(x) 5.1
Cuban-American Sugar Co............(c.)..	7	99¼	7.0	8.0
Genl. American Tank Car Corp........(c.)..	7	99½	7.0	(v) 5.7
General Baking Co......................(c.)..	8	108	7.4	(x) 3.8
Gimbel Brothers, Inc...................(c.)..	7	98½	7.1	3.3
J. Kayser & Co.........................(c.)..	8	100	7.0	1.8
Natl. Cloak & Suit Co.................(c.)..	7	95½	7.3	3.0
Sears-Roebuck & Co...................(c.)..	7	110¼	6.3	15.7
U. S. Industrial Alcohol Co...........(c.)..	7	100	7.0	8.9
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st......(c.)..	7	91	7.7	(x) 2.2
Public Service of N. J.................(c.)..	8	104	7.6	1.9
RAILROADS:				
Baltimore & Ohio.....................(n.c.)..	4	58½	6.8	...
Colorado & Southern 2nd pfd.........(n.c.)..	4	53	7.5	7.2
Chicago, R. I. & Pacific...............(c.)..	7 to 5	91	7.7	2.2
Pittsburgh & W. Va.....................(c.)..	6	88	6.8	2.0
Semi-Speculative Investments				
INDUSTRIALS:				
American Beet Sugar Co.............(n.c.)..	6	79	7.5	2.8
California Petroleum partic. pfd........(c.)..	7	101	6.9	(w) 2.6
Famous Players-Lasky Corp............(c.)..	8	95	8.4	(w) 6.4
Fisher Body Corp. of Ohio.............(c.)..	8	99	8.0	...
Mack Trucks, Inc., 1st................(c.)..	7	96	7.3	2.0
Orpheum Circuit........................(c.)..	8	93	8.6	3.1
Pure Oil Co. conv. pfd.................(c.)..	8	97	8.3	6.0
U. S. Rubber 1st pfd.................(n.c.)..	8	102	7.8	2.6
Worthington Pump & Mfg. "A".......(c.)..	7	80	8.7	6.6
PUBLIC UTILITIES:				
Market Street Railway prior pfd........(c.)..	6	75	8.0	...
RAILROADS:				
Pere Marquette........................(c.)..	5	65	7.7	3.0
St. Louis Southwestern..............(n.c.)..	5	59	8.6	1.4
Southern Railway....................(n.c.)..	5	67	7.4	2.9

(c.) Cumulative. (n.c.) Non-cumulative.

(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.

% Average number times earned last five years.

A Prediction Fulfilled

Another Glimpse of the Future of the Two Equipment Companies

By RUDOLPH L. WEISSMAN

THE comparative analysis of securities is probably the most fascinating task of the student of this branch of finance. Furthermore, its practical value lends profit to academic interest. Witness the two companies now under the microscope which, while they do not fire the imagination to the same degree as their more famous brethren in the equipment industry, furnish a concrete example in support of the above statements.

In the August 30, 1919, issue of THE MAGAZINE OF WALL STREET, the writer had the opportunity of examining Railway Steel Spring and Pressed Steel Car. At that time, the latter stock was only some eight points below the former. Both were enjoying an annual dividend rate of $8, had experienced practically the same results from the war boom, enjoyed the same rating, and at first blush, their parity seemed to be quite justified.

However, after a consideration of the sub-surface elements, the somewhat surprising conclusion was reached that "our analysis has shown that, although these stocks have certain unimportant things in common, Railway Steel Spring is intrinsically a superior security and entitled to a higher price. It is believed that Railway Steel Spring is a safer security to hold and holders of Pressed Steel Car may switch to advantage even at a cost of a few dollars a share."

Since then the directors of the Pressed Steel Car Company have been compelled to omit the payment of dividends on the common stock, with the result of a collapse in the market price to a low of $48 a share in 1921 from which a recovery to the present approximate price of $65 a share has occurred; in sharp contrast, Railway Steel Spring has risen to the best levels in the company's history, maintaining a steady position close to the top. Moreover, the $8 annual dividend has been continued, and the question, if any, centers around the possibilities of larger disbursements, as was recently pointed out in THE MAGAZINE OF WALL STREET.

In fact, the Railway Steel Spring is now selling 50 points above its former rival, against a difference of less than ten points when the writer pointed out its superiority.

The Outlook

So much for the past—the purpose of this article is not merely to express gratification from the fulfillment of our expectations, but to explain why these corporations, whose careers were until recently so parallel, have parted company, and to examine their present status. Will the pendulum now swing the other way, or has the present trend still to run its course?

It is often said, and truthfully, that the value of the stock is best indicated by earning power. This is good advice as far as it goes, but the trouble is that it does not go far enough.

The following table of earnings per share of this stock in the period 1913 to 1920, of itself, gives the reader very little clue of what really happened: Indeed, there is very little to choose between.

Earnings Per Share

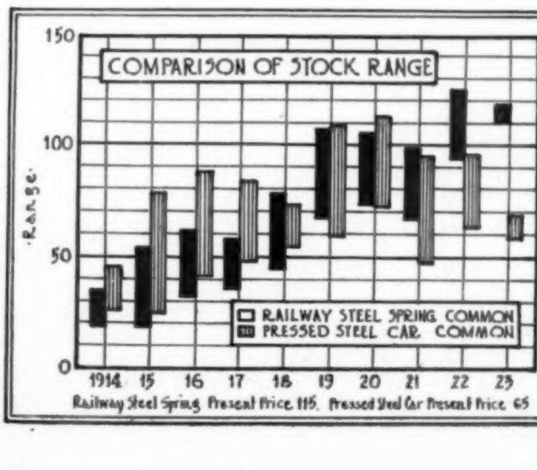
	R. S. S.	P. S. C.
1913	$1.31	$10.56
1914	3.09	0.14
1915	....	3.60
1916	20.49	15.00
1917	32.32	10.04
1918	18.33	24.61
1919	16.66	27.12
1920	18.44	13.25

Of course, since then, Railway Steel Spring income account makes that of Pressed Steel Car a sorry figure, but the only reason why one studies securities is to be able to judge before and not after.

	R. S. S.	P. S. C.
1921	$4.49	Deficit
1922	10.24	Deficit

Financial Position

An examination of a company's balance sheet, where one finds the evidence of what has happened to earnings, is often the acid test which should be applied. For instance, in 1920, Railway Steel Spring's working capital was $8,744,982, Pressed Steel Car's running close behind at $8,000,000. Going no further than this, one again might have come to the conclusion that there was little real difference between these stocks. As we are now taught, everything is relative. Although inventories are easily converted into ready cash, there are times when they are anything but readily liquidated. Worse than this, in a period of falling prices, their value dwindles daily.



Railway Steel Spring Present Price 115. Pressed Steel Car Present Price 65

Perhaps the following table will make the point clearer.

Per Cent of Merchandise to W. C.

	R. S. S.	P. S. C.
1920	60%	136%
1921	52%	36%
1922	47%	87%

In other words, without the inclusion of $11,237,622 among the current assets, Pressed Steel Car really had no working capital. **The greater the ratio of the merchandise account to the excess of quick assets over quick liabilities, the weaker a company's financial position.** The progressive improvement in Railway Steel Spring's status is thus vividly exhibited. Pressed Steel Car's loss in 1921 is unquestionably, in part, directly attributable to absorption of its inventory depreciation. At the end of that year, a much more wholesome situation existed, with merchandise and materials on hand at only $2,939,771.

Yet, with the havoc wrought by a top-heavy inventory account fresh in the management's mind, we find a bulge to $6,171,198 at the opening of the current twelve month period, apparently too high for comfort. True enough, commodity prices have been advancing, but if recent financial history has taught one lesson—in red ink, literally and not figuratively—it is that permanent profits arise out of production, and not inventory appreciation. Stockholders may declare with the philosopher that history teaches us that men learn nothing by history, unless there is some factor which the published figures do not show.

Even at the crest of inflation, Railway

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School for Traders & Investors

Fifth Lesson

Why the Character of the Support in a Stock is so Important

IT may seem peculiar that a man who is trying to advance the price of a stock should endeavor to attain a position on the short side almost from the beginning of his operation, but it is true that among the inner circles where stocks are handled and markets are made, the technical strength of an issue is measured by the number of shares the pool or the operator is short, even though he is openly and actually working on the bull side. The reason for this is that in an operation for higher prices, the support that is rendered to a stock is a most important factor in bringing in outside buying, preventing short selling, holding traders on the long side and gradually increasing the public following.

It is an old saying that markets are *put* up but they *fall* down. This means: When a pool or an operator starts to work in a certain stock, he gives it strong support at rising prices. Each day his supporting level is lifted a little and it is not until he has been able to dispose of a quantity of stock that he partially withdraws that support and places light scale buying orders on the way down in order to take advantage of any weakness. He is always willing to take back what he has sold, but unless there is some special reason he will not take it back at the same price—only at lower figures.

In the absence of this kind of support a stock is known as being "very hollow underneath"; that is, there are few buyers on the way down. No large operator lets a stock get into this condition unless he is anxious to see it decline in order to enable him to cover shorts or repurchase his long stocks to advantage.

Of course a great deal of the support that is present in a stock may be artificial, and a stock may be held at a certain level by the placing of large buying orders within a fraction or a point of the real supporting level, so that floor traders and specialists may see that there is ample buying power underneath it. This also discourages raiding. Such support is good only so long as it lasts. Upon any sign of general weakness in the market, it may be withdrawn.

Operating on Tips

Those who operate in the market for small turns or main swings; who deal in small lots or a few hundred shares, with the object of making a turn or "grabbing a profit" as they call it, seldom go into the question of values behind the property. They operate on their so-called judgment, a tip, or a suggestion contained in a newspaper item. They are not looking for anything more than a profit which will be a large percentage on the amount of money employed. Lots of traders get along with the least possible amount of margin; if they make $200 or $300 on a $1000 capital, they think they are doing great work. It is surprising what a large percentage of the public is made up of just this class of people and what a great aggregate buying power there is among them. They are attracted by "activity." So long as they can make a reasonable and fairly quick profit they will go into any kind of stock—usually on the long side. And because of these conditions it is possible to take a stock selling below value, give it continued higher support, make it sell far above any price justified by the situation within the company and attract a great quantity of buyers up to and at high levels. The key to this is the support given the stock.

As an illustration, let us suppose that a certain stock is lying dead around $30 a share and that an operator takes hold of it. In a period of a few weeks, he marks it steadily up to $60. When it reaches the latter price, its earnings and outlook may be no better than when it sold at $30, but the steady and persistent rise in the price of the stock will bring in an increasing amount of buying until, in the upper ranges, transactions may amount to 50,000 shares a day, whereas when it started up they did not total 500 shares a day. Suppose at this stage the operator distributes a lot of the stock and sells it short and then withdraws support and gradually succeeds in dropping it back to 30 again. Those who bought on the way up or near the top will begin selling out. Many will sell the stock short when they see weakness and lack of support, and this short interest will increase and probably reach its greatest proportions when the stock gets back to $30 again (assuming such a theoretical operation). The very people who were talking most bullishly and probably knew the least about it when the stock was at $60, will be found among the loudest of the bears at the bottom of the return trip. This indicates that nothing is more potent in producing buying than a steady upward march of a stock, and nothing induces investors and traders to sell out and go short so much as a steady and persistent decline.

When an Operator Must Be Short

The position of an operator must necessarily be short when he is working on the bull side, because if he is not short he has to use his own money to support the stock, and when he begins that sort of thing there is no telling how soon he will be found "holding the bag"—that is, trying to support the price against whatever offerings of stock might come in. He reserves his real buying power for a bad smash which might put the stock way below any reasonable valuation of its shares. Meanwhile his real supporting orders are merely the covering of the stock he has previously sold short on bulges; hence, covering these shares he is not only taking a profit but is supplying the real foundation for confidence on the part of public and professional traders who, seeing the support, are more tempted to go in and buy again.

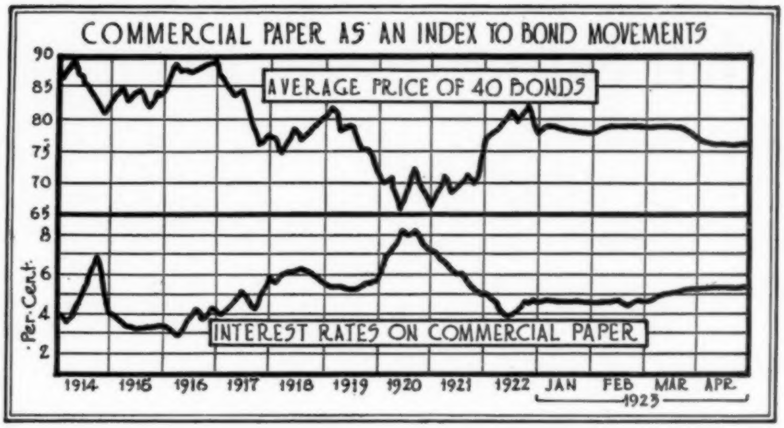
While the public is buying on bulges the manipulator is usually taking a short position. This, of course, is one reason why the public is not so successful as the experienced operator. The latter does the reverse of the public, which again illustrates the fact that the correct way to trade is to study the methods of the public and do the reverse. If the public is buying on bulges, you should sell; if the public is liquidating heavily in a declining market, that is one of the best times to buy, for in this business it is the experienced against the inexperienced traders, and the latter outnumber the former thousands to one.

Taking Advantage of Swings in Bonds

Indicators of When to Buy and Sell

THERE is something very attractive to traders of a certain type of mind about playing for the long swings in bond prices, which come and go with a certain regularity, are much easier and safer to predict than the corresponding swings in stock prices, and in the vast majority of cases cannot show losses comparable to those than can be incurred by mistakes in trading in stocks. There is a certain drawback, it is true, in the fact that the profits that can be made are correspondingly small; except possibly in convertible bonds, no such opportunities exist as are offered by the speculative stocks, and the profits that can be made come slower.

This disadvantage is offset to some extent by the higher degree of security of the bond, which prevents it from declining



sharply or even being wiped out, even in the event of a reorganization. In other words, playing for the swings in bond prices is different from stock trading in that it takes longer, and the profits are on the average smaller; on the other hand, the swings are easier to gauge, the element of risk is largely eliminated, and if the worst comes to the worst, the trader is left with an investment where he wanted a speculation.

Two Factors to Consider

There are two sets of factors which combine to make up the price of a bond. The first concerns the intrinsic value of the bond, and this has to be judged by the same standards as the value of a stock—earnings record, nature of industry, financial position, etc. In addition to this, however, bond prices are influenced by something which has only a comparatively slight effect on the price of speculative stocks, the rate of interest on money.

Interest rates vary considerably from year to year, sometimes from month to month. *When interest rates are high, bonds are cheap; when interest rates are low, bonds are dear.* This is evident from the fact that the yield of a bond must be adjusted to the general level of interest rates, as if bond yields remained low while interest rates went higher it would pay the investor to sell his bonds and put his money into commercial paper or time deposits. The yield of a bond is a fraction, of which the face-value of the bond coupons is the numerator and the price of the bond the denominator. Now elementary arithmetic will suffice to show us that if the denominator of a fraction is increased, the value of the fraction goes down, while if the denominator is decreased, the value of the fraction goes up. It is evident, therefore, that bond yields must move in the opposite direction to bond prices.

Common sense, without the arithmetic, brings us to the same conclusion. The actual return of a bond, which is the face-value or the number of dollars printed on a year's coupons, remains the same, year in and year out. But the value of this number of dollars to the bond-buyer is not always the same, as when prices go up the same number of dollars will not buy the same number of pounds of sugar or suits of clothes. Prices are known to go up together with interest rates, and therefore with bond yields, because higher prices mean more business activity which means more use of credit which means higher interest rates. But if a fixed amount of money is worth less when prices go up, which is also the time when interest rates go up, the bond which produces this fixed amount of money is also worth less, and the price of bonds will therefore go down as the price of goods goes up.

When Bonds Are Cheap

This gives us a way of finding out when bonds are cheap. When prices have gone up very far and interest rates are on a very high level, bond prices will have gone down correspondingly, as explained before, and this will be around the peak of a boom. When interest rates and commodity prices have been forced down, around the bottom of the period of deflation and depression, bond prices will go up, because the fixed amount of money which they represent in the form of interest coupons is worth that much more to the bondholder.

It is worth noticing that this is the exact opposite of the situation in stocks. When prices and interest rates are high, stocks are apt to be near their high point, and it is correspondingly dangerous to buy them, and in the same way, when prices and interest are low, stocks are cheap, and can be purchased for profit. *The trader in bonds, however, should make his purchase at the top of the boom in stocks, when bonds are lowest, and sell out at the high prices reached during periods of depression in the stock market.*

In this way, those traders who are disinclined to sell short may use their money in making market profits at times when the market is too high to buy stocks, and keep on making more money the more stock prices decline.

These long swings in bond prices are very regular and very gradual, and as a general rule are not characterized by sharp recessions such as occur in the stock market. *The bond trader must keep careful watch of the trend of commodity prices and of interest rates. The best guide to the latter is the rate on commercial paper,* choice names, quotations on which are published daily on the financial pages of the newspapers and in financial periodicals.

So gradual are these movements, however, that the trader does not need to look up the rates every day; every week or even every fortnight is good enough. THE MAGAZINE OF WALL STREET prints from time to time charts showing the trend of money rates, which the bond trader can use to advantage in making up his mind when interest rates are close to the peak. Commodity price charts can be made to serve a similar purpose, and if the trader is of exceptionally conservative frame of mind he might do well to wait until he has had definite notice that the boom is over, by falling prices, falling interest rates, a bearish stock market, increasing unemployment, and the other evidences of depression.

Such a policy might cost him a few points in the price of his bonds, but if he acts promptly and with decision as soon as he has assured himself of the true state of affairs he will be able to take a sufficient slice of profits out of the middle without worrying about the exact top and the exact bottom of the swing. When the depression is over and business begins to revive he might use a similar policy in deciding when to take his profits.

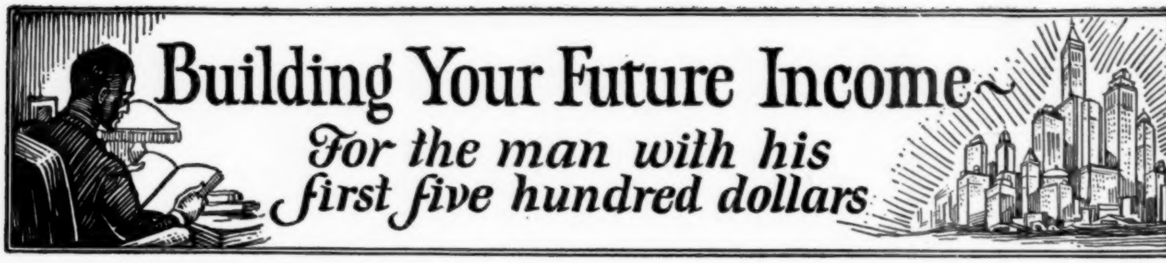
Students' Queries

Communications should be on a separate sheet of paper addressed to The Professor. Space will be given to those subjects which are most in demand and will be printed as soon as there is room for them in this column.

What are the signs that a stock is being bought on balance?

The most unmistakable sign is in the transactions that appear on the tape, or that are compiled from the tape and printed in the official list which is published after the close each day and is on file in the board rooms of Stock Exchange houses. Study the volumes at the different prices, and particularly the ability of the market to absorb large offerings which stand in the way of an advance, accompanied by a very light volume on the small reactions which occur. For in a declining market the reverse of these figures is true; that is, the larger volumes would appear on the lower fractions and the smaller volumes on the little rallies. But you must realize that in the changing situations which follow each other in rapid succession, these signs are important for the moment only and are all right so long as they continue in accordance with previous action. Even though a stock may have been accumulated up to a certain moment, there is no guaranty that the process will continue during the next moment, hour, day or week. Buyers change their minds. They have their requirements filled, or they see an oppor-

(*Please turn to page* 89)



Why Not Run Your Own Life As You Would Your Own Business?

LOOK on your body as your *plant*. Consider it equipped with the most delicate and intricate machinery, capable of performing all the physical operations necessary to your continued development, but influenced by the slightest misuse or abuse. *Keep that body in perfect condition.* Watch out for rust, or for weakened cogs, or for overstrain.

Look on your mind as your *governing board*—your board of directors. Make it an open mind. Keep it constantly on the lookout for new ideas—new ways of increasing the efficiency of your plant, new ways of extending your earning power. Make it a careful mind, immune to hasty decisions. Remember that it must be ready to shape a course of action, in times of emergency, on a moment's notice. So develop it that the decisions it makes will be wise and foresighted and temperate.

* * *

CONSIDER, among your *intangible assets,* the worthwhile friends you are able to make—and hold—whose influence and regard for you, if properly nurtured, might easily make you great; also, the happiness you can instill in your home, whose benefits will bespeak themselves in the refreshment that will be supplied after each day's work and the renewed strength with which you will set out in the day to come; consider also, among your intangible assets, your talents, which will increase or depreciate in value as you develop them. Among your *tangible assets* count the moneys owed to you. Build these assets up!

Your *liabilities,* of course, will be your natural weaknesses. Wastefulness, perhaps, or impatience, or intolerance, or recklessness. Your capital liabilities become the sums you owe, or the obligations outstanding in your name. Cut these liabilities down!

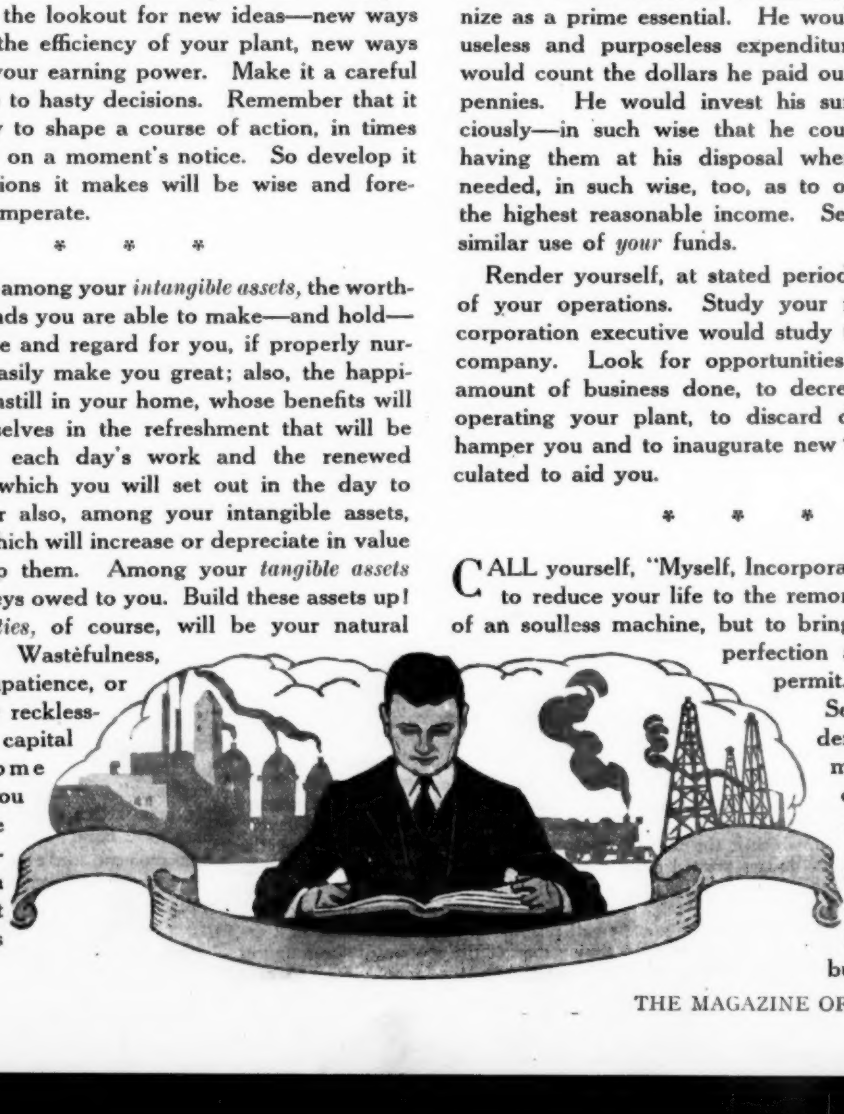
YOUR idle funds are your *capital*—the means which measure your ability to expand, should expansion prove desirable. Treat these funds as a sagacious business executive would treat the funds of his organization. He would not use them in aimless decoration—although a well-kept plant would be one of his first requirements. He would not use them in pampering his workmen—although a decent amount of diversion for workmen, he would recognize as a prime essential. He would not indulge in useless and purposeless expenditures—although he would count the dollars he paid out, rather than the pennies. He would invest his surplus funds judiciously—in such wise that he could be certain of having them at his disposal whenever they were needed, in such wise, too, as to obtain from them the highest reasonable income. See that you make similar use of *your* funds.

Render yourself, at stated periods, an accounting of your operations. Study your results just as a corporation executive would study the results of his company. Look for opportunities to increase the amount of business done, to decrease the costs of operating your plant, to discard departments that hamper you and to inaugurate new departments calculated to aid you.

* * *

CALL yourself, "Myself, Incorporated." Seek, not to reduce your life to the remorseless perfection of an soulless machine, but to bring it as near that perfection as human limits permit.

See how big dividends you can make Myself, Incorporated, pay. And, as the sole stockholder, bank those dividends until you have enough to buy more shares!



Without Adding a Penny of New Money—

How I Will Triple My Investment Holdings in Sixteen Years

By F. W. W.

FOR the past fifteen years I have been more or less interested in investments, having purchased small lots of different kinds of securities, many of them very good and giving a steady income, some of them not so good, thereby tying up several thousand dollars without any returns.

Dividends received by me were never spent or placed with other current income, but were always reinvested in some manner or other. Either the money so received would be used as a deposit towards some new security purchased through some broker on the partial payment plan or would be deposited on a special savings account in some bank until suitable opportunity for reinvestment presented itself. However, I had no definite plan for reinvestment of these funds and often dividend checks would remain in my desk for months and coupons due would not be detached from bonds for similar periods; also deposits on savings accounts would remain there for considerable periods with little or no interest returns.

This state of affairs was very unsatisfactory. At the best, balances on savings accounts would yield only 3%, and the plan of buying securities from brokers on the partial payment plan was also unsatisfactory for at least two reasons: In the first place the rate of interest charged me on my debit balance would often consume the interest received on the stock so purchased, and in the second place I usually had trouble in securing my stock certificate after it was fully paid for, being subject to prolonged delays.

The Need for a Plan

By reading THE MAGAZINE OF WALL STREET and studying the useful articles contained therein, as well as securing other good literature on investments, I conceived the idea that although my plan of never spending one penny of interest received was sound, it would have to be systematized in order to receive a greater benefit and put me on the road to financial independence. As soon as I realized this I cast about looking for a satisfactory plan, and now have a system by which I reinvest my income from my security holdings the day it is received. I believe this plan to be as simple as it is effective.

Two years ago, at the age of 34, when I put this plan into operation I segregated my income-bearing securities from all others and my inventory showed the following investments on which there were interest returns, the net average return being 7%: Municipal and Government Bonds, $1,300; Railway Mortgage Bonds, $560; Industrial Preferred Stock, $968; Investment Rails, Common Stock, $1,894; Preferred Railroad Stocks, $1,584; Total $6,306.

The income of the securities is $434 yearly, approximately 7%, and this rate has been used in compiling the accompanying table showing my plan in operation.

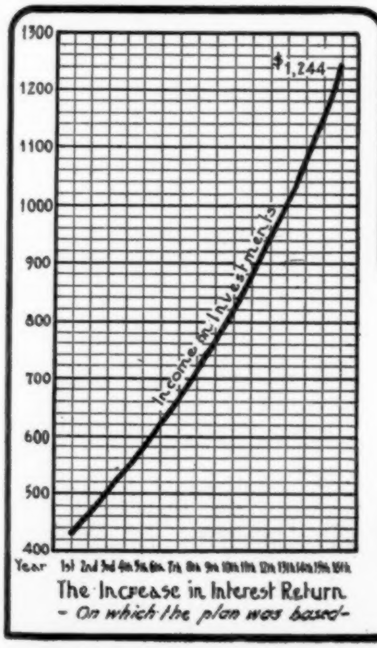
THE PLAN IN BLACK AND WHITE

Year	Income on Investments—Avg. Yield 7%	Extra Int. Earned By My Plan	Capital End of Yr.
			$6,300*
1st	$434	..	6,734
2nd	471	$18	7,223
3rd	505	18	7,746
4th	542	18	8,306
5th	581	18	8,905
6th	623	18	9,546
7th	668	18	10,966
8th	716	18	10,232
9th	768	18	11,752
10th	823	18	12,593
11th	881	18	13,492
12th	944	18	14,454
13th	1,012	18	15,484
14th	1,084	18	16,585
15th	1,161	18	17,765
Age 50—16th	1,244	18	19,027

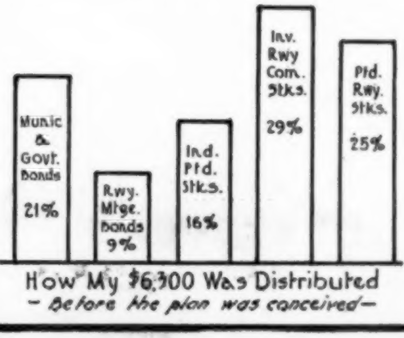
* Original capital, January, 1920, at age 34, $6,300.

The Method Adopted

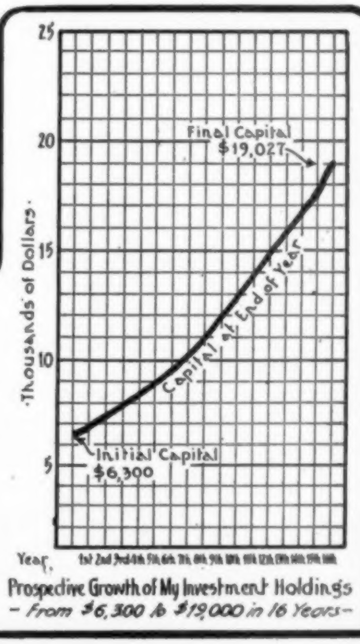
Last year I put into operation a plan to purchase some good bond whenever the opportunity presents itself on the partial payment plan from the Securities Department of a local bank, paying any amount that may be available (but not less than 10 per cent) as an initial deposit. I am allowed interest at the coupon rate of the bond on the initial deposit and on all subsequent payments made, and there is no such thing as interest to be paid on a debit balance as in the case of dealing with a broker. The bank of course is entitled to clipping the coupons until such time that the bond is entirely paid for. Two



The Increase in Interest Return
- On which the plan was based -



How My $6,300 Was Distributed
- Before the plan was conceived -



Prospective Growth of My Investment Holdings
- From $6,300 to $19,000 in 16 Years -

banks in this city, old reliable, leading institutions doing business in this state for fifty years or longer, have instituted this plan. It is like having a savings account. Your payments are entered in a pass book, but with this difference, that instead of receiving a savings deposit interest (which is 3% here), you receive the same interest yield as the security purchased, 5, 6, 7 or 8%. It is agreed that payments be completed within twelve months, but the purchaser has the right to sell his bond at any time before payments are completed, if he so desires. Now as soon as I receive a dividend check or clip a bond coupon it is immediately applied as payment towards the security so purchased, this giving me compound interest.

My plan will secure for me the sum of over $19,000 in sixteen years without adding a penny, except the interest received, to my original capital of $6,300. I will be fifty years of age at the expiration of this time, having been 34 when I commenced two years ago.

Under some ordinary plan of reinvesting the income yearly my capital at the end of sixteen years would be approximately $18,580. The accompanying table shows by the plan outlined above that it will have increased to over $19,000 at the end of the same period.

Actual compound interest received or credited to my partial payment account last year amounted to $18, thereby increasing the total income received from $471 to $489, thus increasing my net returns to about 7¼ per cent.

In order to simplify my figures and also to have them on a very conservative basis, thereby allowing for a possible decline in income yield of new securities purchased in the future, I have taken last year's return of only $18 as a yearly basis of extra interest earned. In reality this amount will increase from year to year as the income received will be larger and more frequent and consequently the payments on the partial payment plan likewise.

For instance, during the fifteenth year the actual extra interest received will be $31 instead of $18, but as already stated for the sake of conservatism I allow $18 to stand as a yearly basis.

Interest received during the past two years amounting to $923 has been reinvested in the following securities:

		Approximate Yield
One $500 North West Bell Telephone 7% Bond at 99..	$495.00	7%
Ten shares North American Preferred at 38..........	380.00	8%
Amount of payment made on partial payment plan for $100 Oval Wood Corporation 8% Bond............	48.00	8%
	$923.00	

North West Bell Telephone 7s quoted at this writing at 108, and North American Preferred at 42. (*These quotations as of March, 1922.—*Ed.)

Everything in my article refers strictly to my initial principal of $6,300 invested in interest-bearing securities. It should be understood that besides merely saving this principal and all interest upon same, I expect to add yearly a considerable amount of savings to my investments, also to dispose of all my non-interest bearing securities as soon as the proper time arrives and purchase investment securities with a fixed return.

A Unique Real Estate Enterprise

Building Up a Self-Sustaining Estate

IN the last issue, this Department described a financing plan whereby a 2-family house might be made to pay for itself. A re-reading indicates that the plan may contain investment possibilities considerably in excess of those shown in the article, and for the benefit of the many readers who are interested in real estate, it seems timely to bring out these additional possibilities here.

What the Plan Assumed

Briefly, the suggested plan resolved itself into the following:

Assume a $1,200 lot and a $11,000 home, or a total investment of $12,200. Assume total annual carrying charges (itemized in the last issue) of $370. Assume the availability of $5,200 for cash deposit. Assume, finally, an earning power for the property (from rentals, @ $65 per month for each side of the house) of $1,560 yearly.

Let the project be divided into two separate cycles. In the first cycle, let the $5,200 cash be applied to the property as a cash deposit, the remaining $7,000 being placed on B. & L. mortgage. By the beginning of the second cycle, of course, the $7,000 mortgage would have been paid off. Let the owner, then, effect a new B. & L. mortgage, this time for $5,200, thus starting a new cycle.

It was shown that, during the first cycle (11½ years) the property could be made to clear $38 annually, or a total of $437; and that, during the 2nd cycle (also 11½ years) it could be made to clear $566 a year, or a total of $6,509. (The big jump in net return during the second cycle, of course, would be due to the refunding of the original cash deposit, which would have become available for investment elsewhere, and the interest charge formerly assessed against it become extinct.)

What It Offers

Under this plan, as outlined:

The property would net, in surplus rentals, during the period of the first cycle (11½ years) the sum of $38 yearly, or a total of $437

It would net, in surplus rentals, during the period of the 2nd cycle (also 11½ years) the sum of $566 yearly, or a total of.... $6,509

It would return, for new investment, at the end of the 1st cycle, the $5,200 cash deposit originally made and which, at 6% simple interest during the period of the 2nd cycle would bring in a total of............ $3,588

The property, if well selected in the first place, and if well-built, should be worth at least its original cost price at the end of the 2nd cycle. Depreciation in the building would, it is justly assumed, be counteracted by increase in the value of the real estate. Hence, at the end of the 2nd cycle, the property should be salable for $11,200

Considering these things to be true, it appears that the Grand Total, including Accrued Income (*accrued*, that is, in the event that the investor has conserved it during the life of the plan, as he should do in order to get the biggest final results) plus Established Principal of the project would amount to........... $21,700

If, to this total, we add the amount of his original cash investment ($5,200—presumably still intact) then the whole value of the holding, plus accrued income, is brought up to......... $26,900

In other words, the plan apparently suggests a means by which a $5,200-estate can be developed into an estate over five times as large in just about 23 years—or the period of the average man's financial career.

The advantages of this plan, as they occur to this Department, consist in (1) the simplicity of it; (2) the degree of results attained; (3) the *solidity*, if we may call it that, of your investment medium (land).

Of course, there are disadvantages. First, the project presupposes considerable aptitude in the selection of property. It is not everyone who can see 23 years into the future when it comes to real estate values. Secondly, a considerable amount of management would have to be given the property, including selection of tenants, collection of rents, maintenance of order, etc. Thirdly, the repair item would have to be kept down by personal attention. And so on.

Weighing the apparent advantages and disadvantages, this conclusion is suggested: If you have the talent and ability, the stickatitiveness and perseverance which such a project requires, it offers an interesting field for the development of your estate. Without these proclivities, it would be better left alone.

What Do Convertible Bonds Offer?

A Description of Their Merits From Two Points of View

(This is the twenty-first article in a series being published here for the twofold purpose of introducing students to the elementary facts of practical finance and assisting Income Builders in the judicious investment of surplus funds. Previous articles of the series appeared in successive issues to date.)

THOSE who have read the previous articles in this series may remember the "Staircase to Success," an imaginative drawing which depicted the various mediums offered the investor as steps in a staircase. The "first step" was called the "Savings Bank Step," the second was "Government Securities," and so on; *the steps being arranged according to the degree of safety each investment medium offered, as described.*

In the process of describing each one of these "steps" in the order named, we have now reached the outer edge of the more speculative issues—High Grade Convertible Bonds. It is the purpose of this article to discuss the merits of Convertible Bonds, as a group, and to show how the investor should pick and choose between them.

What Convertible Bonds Are

In a few words, Convertible Bonds are bonds which may be exchanged by the holder for other securities of the issuing corporation. The basis on which the exchange may be made will vary with cases; but it is always specifically set forth. The security into which *conversion* is permissible is also specified, but most generally it is the capital stock of the issuing corporation.

Why They Are Issued

There are a number of reasons why corporations issue convertible bonds, when they can, in preference to other types. Some of these reasons may be suggested in passing here:

In the first place, convertible bonds offer a comparatively popular form of investment and are assured of a ready market in times when re-financing could not be accomplished, except at comparatively great cost, through the sale of stock.

Secondly, financing done through the medium of convertible bonds does not saddle a necessarily fixed and continuing interest charge upon the earnings of the issuing corporation, whereas the opposite would be true in the case of non-convertible issues.

For example, a corporation issuing $5,000,000 of 7% bonds on a *convertible* basis starts out with interest obligations on the issue of $350,000 a year; but, if the convertible privilege be attractive (and it is generally made so) the amount of the issue outstandin„ will steadily decrease as time goes on; hence, of course, the interest obligations it involves will also decrease. Were there no convertible privilege attached to the issue, on the other hand, it would continue outstanding (barring callable features) in its original sum, and interest requirements upon it would continue at a set, undiminishing rate during the life of the security.

Thirdly, it is generally possible to find a market for convertible bonds, due to their investment popularity, even though they represent *junior liens.* That is, in order to sell a convertible bond issue, a corporation will less often have to be able to make it a first lien on its properties than would be true of non-convertible issues.

Their Investment Appeal

Convertible Bonds, as a group, have just as decided an appeal to investors as they have to corporations. In the last analysis, that appeal resolves itself into the following:

They offer, so far as principal and interest is concerned, a measure of safety in excess of that generally offered by preferred or common stocks; at the same time, they offer possibilities of principal enhancement measured exactly by the speculative possibilities of the issue into which they are convertible.

In other words, you get an enticing mixture of safety and speculative opportunity.

Why this is true probably needs little elaboration. Obviously, insofar as they are *bonds,* these convertible securities will rank ahead of stocks in their claim upon assets and upon earnings. Equally obviously, insofar as they represent a "call" upon (or carry the right of exchange into) common or preferred stocks, they may be influenced by the market actions of those stocks.

Take the case of a 7½% convertible bond which, let us say, is convertible into the 8% common stock of a given corporation at $105 per share. Let us suppose this to be a comparatively new corporation, and that the investing public is not yet ready to pin too much confidence on it. While the corporation is maturing, the 8% common will probably be regarded as an "unseasoned" and, therefore, speculative issue, entitled to sell no higher than a 10% basis, or at around $80 per share. Of course, so long as it continues to sell at that price, the convertible feature of the bonds won't be worth exercising. On the other hand, the corporation's convertible bonds are recognized as *bonds,* the convertible feature not influencing their status in that respect; and, because they are bonds, their market price will reflect their bond characteristcs. That is to say, as a semi-speculative issue, they might well sell on a 7% basis. Up to this point, then, we have the convertible bond selling on a considerably lower yield basis than the issue into which it is convertible, the difference between the two being measured by the greater security offered by the bond.

Now let us skip over a few years in this corporation's history and suppose that it has forged steadily ahead to first place in the industry it serves. Let us imagine that it has managed to score earnings, throughout its career, far in excess of dividend payments on the stock, and that there is an immediate prospect of a large extra disbursement on the junior issue. Very

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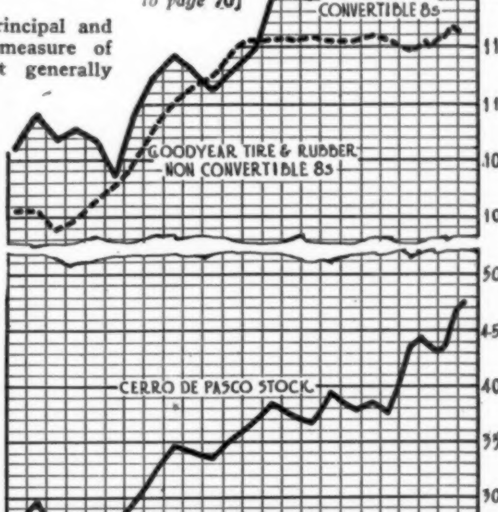


A TYPICAL CONTRAST

Between a Convertible Bond (Cerro 8s), a Non-Convertible Bond (Goodyear 8s) and the Stock into which the Cerro convertible issue is exchangeable. To a great extent, the two bonds differ from one another only in respect of the Convertible feature, although of course two different industries are represented.

It is interesting to note the extreme firmness in the non-convertible Goodyear issue during the period of the convertible Cerro de Pasco issue's greatest advance.

Answering Your Insurance Inquiry—

By FLORENCE PROVOST CLARENDON

A PROBLEM IN PREMIUMS

How Company-Rates Compare

Will you please tell me if the Postal Life Insurance Co. of New York is a perfectly reliable concern, and if it is really able to write insurance at lower rates than other companies, such as the Metropolitan? I have one policy with the Metropolitan and am in doubt whether to take out another with them or the Postal Life.—C. H. B., Norwich, Conn.

All companies in active operation are under careful supervision by the Insurance Departments. The Insurance Department of New York is particularly effective and life insurance is such a large and important business, so sound in its general principles, that when the Department approves of the operations of a company it may be assumed that the policyholder in that company is protected.

We have no hesitation in commending your choice in the selection of the Metropolitan, and we also commend your intention to take further insurance, whether with the Metropolitan, the Postal, or some other company.

If you study the companies of first-class standing you will probably find that the net cost (after taking dividends into consideration) is not particularly low in the Postal Life.

So many inquiries have reached us regarding the Postal Life Insurance Co. that the following information is given for the benefit of our correspondents:

Many of the questions asked indicate that our inquirers have interpreted the advertising of the company as claiming that the net cost of insurance is lower than that of other good companies. We have examined recent advertising of the "Postal" and cannot find that such a claim is made by them.

According to the last Annual Report of the company, their new business increased during 1922 from $42,807,000 to $42,913,000, and during the same period the admitted assets increased from $10,069,000 to $10,191,000. The increase, it will be observed, in both of these important items is small. The gain in surplus for the year 1922 was about $4,000. No dividend was paid to stockholders, and the mortality experience of the company was not favorable—a loss being shown from this source of approximately $63,000. These figures are taken from the company's own official statements.

The premiums of the Postal Life are quoted in the *"Unique Manual Digest"* published by the National Underwriter Co., also in the *"Handy Guide"* of The Spectator Company. Their dividends are also quoted in books by the same publishers, as well as in the Policy Analysis of the Alfred M. Best Co. We quote the rate for an Ordinary Life Policy for $10,000, taken at age 35, namely $241.90. From this amount a *guaranteed reduction* is allowed of $23 in the first year, and 9½% of the annual premium for the next 14 years. This 9½% is $22.99—practically the same as that allowed in the first year. The premium is thus reduced by these guarantees to $218.90. After the 15th year, it would appear, dividends must depend upon the earnings of the company; so far as we have observed the guarantees do not exist after the 15th year.

We may compare the net annual payment of $218.90 with the non-participating rates of other companies. The most prominent company now writing non-participating business is probably the Travelers, and their premium for $10,000 Ordinary Life Insurance at age 35 is $201.10. Some other companies charge about the same rate; while others charge slightly higher non-participating rates, as, for example, the Connecticut General, $206.10; the Columbian National, $216; the Missouri State Life, $217; and the Pacific Mutual, $216. The Equitable of Iowa's rate (in amounts of $5,000) is as low as $200.90.

In 1922, additional dividends were allowed on policies of the Postal Life issued in 1915 and prior thereto. Prior to 1916, it is interesting to note, the premium rate at age 35 on an Ordinary Life Policy for $10,000 was $274, being $32 higher than the premium charged from 1916 to date. The dividends on the old policies cannot, therefore, be fairly viewed as probable or approximate dividends on the lower rates that have since been charged.

The basic premium on such older business was $274, and the dividend (guaranteed and additional) in 1922 was $42.90, in respect of policies taken in 1915. The net payment by a Postal policyholder of 1915 as made in 1922 would, therefore, be $231.10, which is actually greater than the payment of $218.90, being made by more recent policyholders who have the benefit of the guaranteed dividend only. The following table of net payments made in respect of Ordinary Life policies taken at age 35 in different years may be of interest:

Year of Issue	Basic Premium Charged	Total Dividend	Net Payment
1911......	$274.00	$45.90	$228.10
1912......	274.00	45.10	228.90
1914......	274.00	43.60	230.40
1916–1922.	241.90	23.00	218.90

The general indications of comparative cost would not differ materially if relative premiums of participating companies were used. Non-participating premiums are used in comparison for greater convenience in arriving at net cost.

FOR A HOME-BUILDER

What Kind and How Much?

I am a married man with no children, age 26, having a salary of $2,100 and good chances for advancement. I also have a side income of around $400 from property, investments, etc. We are able to save around $750 a year, $232 of which goes to pay two 20-payment life policies, one a $2,000 maturing at 33 and the other, a $5,000, maturing at 41 (dividends left in). I also carry a $5,000 accidental death and $50 per mo. incapacity income clause in the latter insurance and have a separate $1,000 industrial accident insurance policy, all of the premiums of which come out of the mentioned $232 per year. I have $2,500 cash saved which is out at about 6% good security.

For a man who expects to build a home soon and will need as much of his income as possible to complete payments, would you advise taking out more insurance at present? (1) If so, what kind? (2) How do you rate the Mutual Life Insurance Co., of New York?

I wish to say that The Magazine of Wall Street *has been a big help to me in many ways. Although I am not a subscriber, I surely do devour every number.—J. E., Long Beach, Calif.*

I observe that you now carry life insurance in the amount of $7,000 on the 20-Payment Life plan, $5,000 of which includes the Accidental Death Benefit. This Benefit is an excellent addition to the policy, but you must use care to "see straight" in viewing this extra benefit, and remember that your policy is only for $5,000 to all ordinary intents and purposes *unless in event of your death by accident*, when the double indemnity provision increases its value to $10,000. Thus you carry for the protection of your beneficiary in case of death, insurance in the amount of $7,000 (unless accidental death occur) and this amount would yield to your wife an income, on a 5% annual basis, of $350 a year.

If you are anticipating building a home in the near future, with the inclusion of a mortgage indebtedness, I should strongly advise you to take out an additional life insurance policy of sufficient amount to clear the mortgage in event of your death before the home is free and clear. A mortgaged house is a very doubtful asset for a widow. A policy taken in the amount of the mortgage, which would

pay off the debt immediately on the death of the husband, is one of the most practical ways in which a life insurance policy can be applied, because it insures at least a home for the family when the breadwinner is gone. If the mortgage is cleared during the insured's lifetime, the additional life insurance coverage will help to build up his estate for the future.

At your present age (26) and on your income of approximately $2,500, I would advise your taking additional insurance on one of the cheaper Limited Payment forms. A 30-Payment Life policy taken at your present age would be entirely free from all premium payments on your attaining age 56—a period when you would naturally be in vigorous manhood and would not be apt to find the payment of premiums burdensome. A $5,000 policy on this form in the Mutual Life Insurance Company would cost approximately $135 annually—or a monthly saving of less than $12. A 20-Payment Life policy taken at the same age in the company mentioned would cost approximately $162 a year—or $27 more annually. Of course, you must remember that in a life insurance policy taken with a reliable institution you get what you pay for, and thus in paying the higher premium for the 20-Payment Life policy you obtain larger surrender values than in the one running for a longer premium-paying period. In your case, as a young married man on a modest income, it is judicious for you to get as much coverage as you can on a permanent form at a low rate, with a premium-paying period which will terminate at a time when you would probably still be in active business life.

The Mutual Life Insurance Company of New York is one of the best of the "old-line" Life Insurance companies, with a record for fair dealing and equitable treatment of its policy holders, and I can unqualifiedly recommend it to you for additional life insurance.

True Talk

Kingdoms may be established on credit, but a nation is founded on thrift.

—From a window-poster in a New York bank.

Points for Income Builders

Three Other Items to Examine in Your Company's Annual Report

AFTER you have made your comparisons of Gross Earnings, Operating Costs and Working Capital, as outlined in the last issue, there are certain other salient features of your company's annual report which it would be well for you to consider. Among these are:

Times Interest Earned

Suppose you, as an individual, and after paying your running expenses from year to year, had debts outstanding against you interest upon which all but consumed the balance of your earnings. It is obvious that you wouldn't be able to save very much, and that your credit would be proportionately poor.

Now suppose that the corporation in which you are a stockholder, after paying *its* running expenses from year to year, also had to devote most of its balance to meeting interest charges upon debts. What was true of the individual would also be true of the corporation. It would not grow rich very quickly, and its credit—or borrowing capacity—would be poor.

"Times Interest Earned" is merely the process of measuring the margin, over and above a corporation's debt interest, which it is able to show. It is a means of measuring its credit strength. All the figuring it involves is a comparison between (1) the earnings available for interest charges and (2) the charges themselves. The difference between the two might be called the "Margin of Safety."

As pointed out here before, there is no general rule to follow in figuring what the Margin of Safety in the case of any particular corporation should be. Of course, a company engaged in a very stable industry, and whose earnings from year to year hold closely to a given level, need not necessarily show so wide a Margin as a concern engaged in an erratic and comparatively uncertain line, in order to enjoy just as good credit.

There is something else to consider in connection with this Margin of Safety. That is that your company's dividend-paying power will depend entirely upon its balance after deduction of bond interest. This point brings us to:

Earnings per Share

Earnings per share are the total net earnings of your corporation after all prior charges have been satisfied.

If you are a preferred shareholder, and your company has some bonds outstanding, the amount available for your shares will be that left over after bond interest has been paid. As a common-stockholder, in a company having preferred stock, you will share after the preferred.

The size of earnings per share so far as preferred stocks are concerned will, generally, have the same significance as Times Interest Earned. That is (since most preferred stocks are limited to a certain set dividend rate), balance available for your shares will merely represent a Margin of Safety. The extent of that Margin will measure the safety of your investment, with the qualifications noted in the case of bonds.

The size of earnings per share on common shares of course may measure not only your company's ability to continue dividends at the established rate, but also its ability to make extra disbursements, and, finally, to bolster up its Surplus Account as a buffer against bad times.

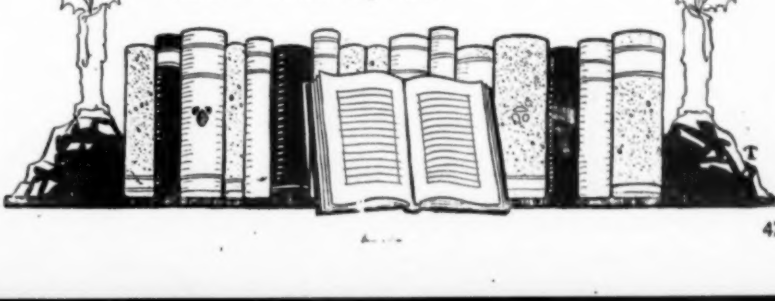
Inventories

Some will advise you, when examining your corporation's report, to look into its Inventory Account. This account, of course, records the amount of raw material, or unfinished goods, or "stocks on hand or in transit," of which the corporation happens to be possessed when the report is drawn up.

This Department hesitates to echo that advice for a very definite reason: In no cases with which we happen to be familiar are inventories itemized in a fashion that would permit the stockholder to form his own opinion of their value; neither, in cases where inventories consist of raw materials, is the price at which such materials are valued, shown. Without such information as this, then, how can one determine the real significance of an Inventory Account?

For example, let us suppose that a large Textile Manufacturing Co. reports Inventories, consisting entirely of raw cotton, amounting to $10,000,000, entered by the company "at cost." That looks very impressive. But if it represents cotton bought above 30 cents a pound and which is now worth around 27 cents, it is not so encouraging. Or, if it represents cotton bought before the recent rise at an average cost, say, of 20 cents a pound, it is far more encouraging than the ten million-dollar figure would indicate.

Such complexities as these are confusing and offer limitless opportunities for misunderstanding and incorrect conclusions. Altogether, it would probably be wiser to steer clear of them. If the stockholder will content himself with studying Gross Earnings, Operating Expenses, Working Capital, Times Interest Earned and Earnings Per Share he will probably get as good results as are to be had.



Public Utilities

From "Jitney" to Motor Bus

New Era Inaugurated in Local Transportation

By ALFRED MAYS

WHEN the first rail lines were laid in the United States, the distance was the large problem in the mind of the creators of traffic lanes. In all of the early years of struggle the aim of each giant in the field was to push his lines farther and farther west.

The building of rail lines was almost entirely a speculation on the development which would come in the future.

When the first electric rail lines were started they were developed on an almost opposite basis. The electric problem was a problem of short haul for mass transport. The problem was to locate lines entirely in congested areas.

These two variations in the basic factors involved in the development of steam lines and electric lines gradually produced leaders with two types of vision. The steam-line operator constantly endeavored to reduce tariffs on the long haul. In building steam transport business this situation led to tariffs so low for the short haul that they now are inadequate to meet steel-rail costs.

Conversely, the electric rail operator, thinking constantly of mass operation over short distances, gradually built up a low rate for passenger traffic which ultimately resulted in the bugbear of the "nickel" which has been the cause of many receiverships in the electric rail field.

These two opposites in transport left the way open for the motor vehicle to become the ruling factor in average transport as soon as the country was banded by proper highways.

For Good Roads

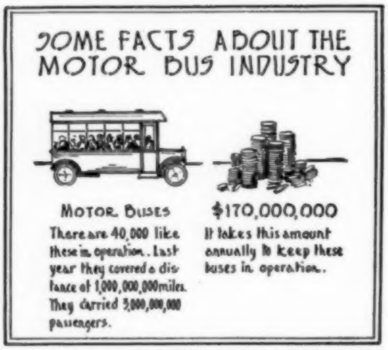
The good-roads program is being carried forward in every state. Between cities and towns all over the country almost all highways are kept in good condition. This has brought about a revolution in passenger transport. The change has been as gradual, yet as swift as the flight of the sun.

For the past fifteen years, almost hourly, the means of passenger transportation has improved.

Today with over 10,000,000 motor passenger vehicles in service, we have a new, modern, comfortable, convenient and completely flexible unit which could almost move the entire population of the country at any given minute.

Soon practically every family will own its private means of transport.

It is estimated that last year the American public traveled a total of almost 100,000,000,000 "rubber" miles. For this they



spent an average of not less than 4 cents per passenger mile. This represents a gross economic cost of approximately $4,000,000,000 for private transportation.

This total passenger mileage of "rubber" transport was practically double the total passenger mileage of the entire group of Class 1 steam railroads.

That much of this extensive movement on "rubber" has been at the expense of the steam and electric railways, cannot be denied.

The public simply ignore all other types of passenger transportation where they can afford to do so.

This use of the individual motor vehicles accounts for much of the passenger revenue loss which the steam lines have suffered and for practically all of the revenue losses and many of the failures and bankruptcies among the electric lines.

Probably this was inevitable as the sway of the mass cannot be controlled and should not be controlled while it is moving forward in a cycle of progress.

Individual Operation Uneconomical

It is time for industry and capital and the economist to take a hand in this movement. The day has arrived when the economic factor must be given precedence. Transportation has for the moment run wild economically. It has been too largely individualized. Individual operation is decidedly uneconomical.

Naturally, every one of us prefers and desires a personal private conveyance waiting at our door at all times, ready to respond to our transportation demand. Undoubtedly, all of us believe, the advent of the motor vehicle has been tremendously beneficial to humanity and all prefer to see the use of the private auto expand still further.

However, our national production per capita will not permit this.

Furthermore, compared to production per capita, our present yearly income is not sufficient to even sustain a program of universal individual transport for all personal trips.

Already this fact has been recognized by several millions of people and they have ceased to use their passenger cars wastefully. They still own and will continue to possess individual transport vehicles for pleasure use and for certain forms of business travel; but they have demanded and are now using group motor transport units for much of their regular routine travel—the motor bus.

This is the second stage, the recognition of economic necessity in motor travel.

The extent to which this type of transport vehicle (the bus) has come into use is little known to the average man. Not until recently have the financial and transport interests in the steam and electric railway groups come to realize it.

Few of the steam-line operators and only a small number of the electric railway operators realize that the sponge absorbing much of their profit opportunity is the private passenger vehicle just as much as the change in operating costs. Big transport personnel is also lacking in appreciation of this public need. "Jitney" operation naturally results. This is rapidly turning into bus operation.

Today there are in the United States somewhere between 8,000 and 10,000 embryo or tyro "Bus" transportation men. These men are training themselves in this field. Most of them have developed out of local need. A majority of them have been born of individual operation of motor cars. They are the men who like to drive motor cars. They like to feel of speed on the road and they have at least the initial instincts of merchandising.

Out of these thousands of "independent" bus operators are gradually arising a new group of transport men. These leaders are beginning to coordinate many lines into group operations.

These lines and these men are pioneering in the field largely left vacant by steam and electric interests.

Rapid Development

Within the past two years this development in motor-bus transport has been almost more rapid than the motor industry could provide for, as the automobile production plants in the country were already crowded with a constantly increasing de-

mand for pleasure cars and standard commercial delivery trucks.

There are probably not a hundred men in the United States today, whether in the automobile industry or in the "rail" field, who will not be startled and much inclined to question the statement that there is now almost $100,000,000 of capital invested in equipment and terminals; that is, invested for revenue purposes only, and the profit there is in mass motor-transport service.

Nevertheless, a recent survey made by one of the motor publications (*Bus Transportation*) indicates the following:

1. That a total of approximately 40,000 gas motor vehicles are now regularly used for carrying passengers on regular schedules or for sight-seeing trips and similar transport (not including taxicabs). These must average not less than $2,000 value per vehicle, as thousands of these busses cost from $5,000 to $7,000 each, although other thousands are, of course, inexpensive touring cars used in "jitney" service.
2. That these vehicles cover a total of not less than 1,000,000,000 miles annually.
3. That the number of individual passengers carried annually approximates 3,000,000,000.
4. That the purchases of those engaged in motor-passenger transport (including gas, oil, tires, replacement of worn-out vehicles, maintenance, repairs, etc.) will total between $170,000,000 and $175,000,000 annually.

In California, where the development has been most rapid and has reached the greatest proportions, these new transportation executives have reached the point where they have made an investment in a railway terminal at Los Angeles which is conservatively estimated to approximate $500,000; and their equipment investment will total about $2,000,000.

At Cleveland a $200,000 union motor-stage terminal is in process of construction.

At Minneapolis six interurban lines have united to build a $100,000 terminal.

At Portland, Oregon, sixteen lines now operating 200 stages occupy a building 80 x 100 ft.

At Toledo eight bus lines use a common station, at St. Paul six, at Indianapolis ten and at various other points throughout the country, groups of four to ten independent lines are now maintaining joint union terminals, such points as Omaha, Kalamazoo, Poughkeepsie, Pontiac, South Bend, Tampa, Binghamton, N. Y., Middletown, N. Y., etc.

A vividly illuminating comparison of the change which has taken place is shown by the figures of Newark, N. J. In 1916 the "jitneys" in Newark handled 2,660,854 passengers, while in 1922, after only six years of operation, there were a total of 76,375,199 bus passengers in that one city alone. In percentages this is equivalent to an unprecedented increase in motor-bus traffic in that city of 2,775%.

That this growth is still increasing at a phenomenal rate is shown by January and February figures for Newark. In these two months in 1923 14,148,032 passengers were carried; an increase in this one city of 3,021,314 over these two months last year or over 25%.

Paterson, N. J., reports 21,806,217 passengers were carried in motor busses in 1922, an increase of 4,433,506 over 1921.

The commission of California estimates over 15,000,000 persons traveled by motor stage in that State during 1922.

A New Era in Transportation

These tremendous totals of themselves prove that a new era in transportation has arrived. The first stage, that of initiating service, has passed. Legislation has been started. Legislation is now demanded both by public interests and the economies of proper service.

Up to 1922 this immense volume of passenger traffic was handled almost entirely by individual independent operators, running one, two, three or five vehicles here and there, according to the opportunity to make a profit. Practically all of these operations have proven extremely profitable and, from small beginnings, many of these operators have increased their number of vehicles and enlarged the scope of their operations until they have become real factors as transportation men.

For instance, the development at Wilkes-Barre, Pa., and vicinity has grown from an operation of just a few busses to regularly scheduled operations, requiring from 60 to 75 motor vehicles and handling approximately 5,000,000 passengers annually.

In 1920 and 1921 many of the different states negotiated regulatory legislation calling for better class of equipment, operation on definite schedules, reasonable protection against accidents to persons or damage to property, and reasonable fees to aid in highway maintenance.

To offset this and help stabilize the motor-passenger business, franchises were granted and competition began to be restricted to the necessities of the traffic. This led to immediate improvement in the financial responsibility of men and companies operating and, at the beginning of the year 1922, the situation was sufficiently stabilized in many states, so that the Electric Street Railway industry felt justified in meeting the auto-passenger competition of the private vehicle by the installation of bus service.

Some of the large groups of the electric traction interests already feel this "rubber urge" and have adopted motor busses for feeder and supplemental service. In a few cases, as at Newburg, N. Y., and Everett, Washington, the traction interests have already recognized the economy of motor-bus operation for light traffic in medium-length haul, and have eliminated entirely the use of the electric service for this field of transport.

After the start made by the United Electric Light & Power Co., of Baltimore, who operate 62 busses on regular schedule, and the Milwaukee Electric Street Railway Co., operating 76—thus successfully coordinating rail and rubber operation—various companies throughout the country rapidly followed their lead until, at the beginning of the year 1923, there were at least 75 different electric railway companies operating bus lines. They are using approximately 500 vehicles.

In this group are such organizations as the Boston Elevated Lines, the Chicago Elevated Lines, the Connecticut Company, the Washington (D. C.) Railways, and numerous lines in the smaller communities, such as Akron, Ohio, and Youngstown, Ohio, where dozens of modern motor busses are now in service in the hands of electric street-railway companies. These busses are largely of the single-deck type of 25-passenger carrying capacity. The double-deck bus, similar to the Fifth Avenue double-deck type, are being used by independent bus companies at Chicago and Detroit for all park and boulevard service and places where a large percentage of the traffic is pleasure-riding.

Recently the Pacific Electric Company of Los Angeles appropriated $600,000 for

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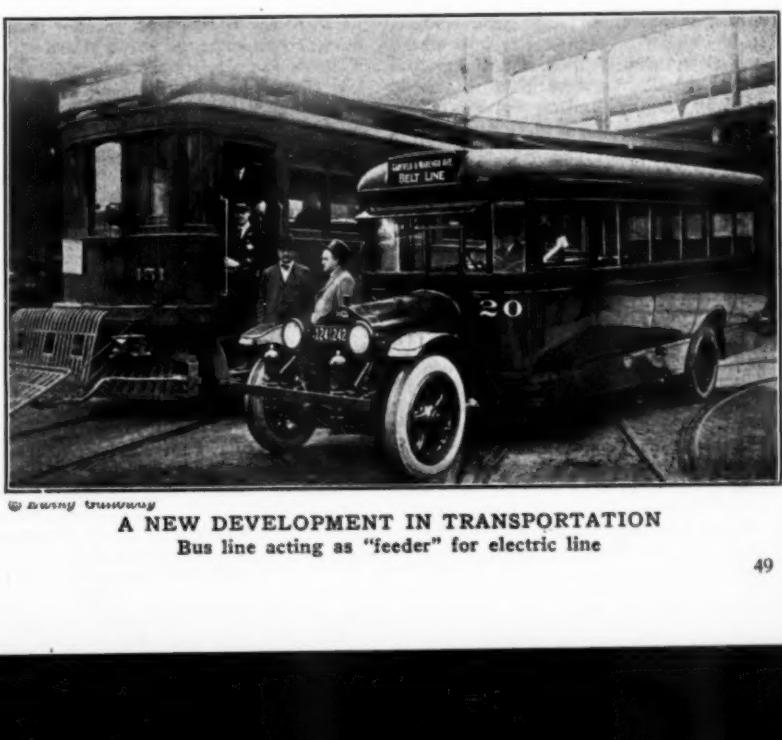

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A NEW DEVELOPMENT IN TRANSPORTATION
Bus line acting as "feeder" for electric line

Petroleum

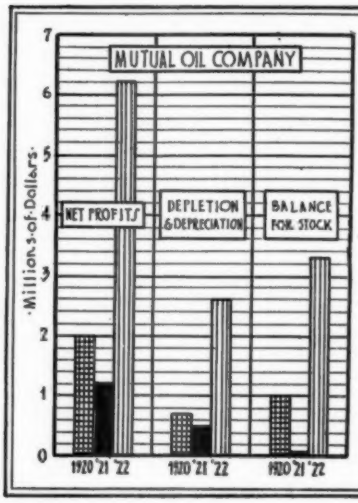
If I Held—

Mutual Oil—Phillips—Producers & Refiners—

—I Would—

By JAMES W. MAXWELL

PREVIOUS articles under the caption "What I Would Do If I Held—" have been consistently prefaced with remarks anent the inherently speculative nature of all commitments in oil securities and the difficulties which confront the outsider who undertakes to form opinions as to the comparative merits of various oil issues. Despite the constant hammering on this point, however, it seems desirable to emphasize it once more, if only for the benefit of the new readers, who are constantly joining the ranks: *The market fortunes of oil securities, especially the securities of independent, or comparatively small, oil companies, are bound up with the market fortunes of crude oil itself. They are held, in large part, by active investors, who are as quick to liquidate in times of doubt as they are to add to their holdings in times of promise. Obviously, then, they are liable to sharp fluctuations in day-to-day values; and equally obviously, these fluctuations can scarcely be forecasted. Commitments in this group, just as commitments in any extra-speculative class, should therefore be confined to the funds of persons who can manage to keep in constant touch with conditions, and furthermore it seems fair to say that they should be confined to funds which can be spared.*



Mutual Oil

A Growing Organization

AS a holder of stock in the Mutual Oil Company, and after an analysis of this concern's report for 1922, just issued, the writer would probably be content to retain his commitment. Mutual Oil scored really excellent results in all departments during 1922.

Results in 1922

So far as financial results are concerned, it is noted that Mutual was able to increase its Operating Profits last year to a figure some 5 times as great as that in 1921. After the usual conservative appropriations for depletion and depreciation, it showed a balance of over 3.2 millions for its stock, as against only some $72,000 in 1921. Its balance sheet position at December 31st was very secure, with Cash Account exceeding 2.85 millions, and net current assets amounting to more than 6 millions.

In respect of property holdings, Mutual shows the effects of striking expansion. The nucleus out of which the present organization was formed was originally the Elk Basin Petroleum properties, to which were added the Keoughan-Hirst Drilling Co., the then Mutual Oil Co., and other properties, the present name of the consolidation being adopted early in 1922. During last year, further properties were added, including Western Oilfields, Boston-Wyoming and Chappell Oil. The results of this expansion are reflected in the production figures for 1922, which show that, at the close of the year, the Mutual organization was producing at the rate of 10,713 barrels per day, net, against an output of about 4,000 barrels, net, at the beginning.

Developing Organization

The company also effected important improvements during the year in its refinery, transportation and marketing facilities. The plants at Glenrock and Cowley (Wyo.) and Chanute (Kan.) were built up to a daily capacity of 11,000 barrels, storage capacity for crude oil and refined products was increased to 1,050,000 barrels.

Nor does it appear that the enlargement in physical properties and earnings of the Mutual organization was by any means completed last year. Early in the current year, control of the Merritt Oil Corporation and of the Hamilton Oil Co. was taken over, providing additional production in Wyoming and Texas. By April 23rd, last, the net production of the organization as a result of additional development, had been increased to above 16,000 barrels.

Mutual Oil has a total authorized capital consisting of $30,000,000 stock, of which $15,678,000 is outstanding. Last year's balance of $3,272,452 was equivalent to approximately $1.04 per share. Dividends are being paid at the rate of 50 cents a share annually on the $5 par stock now selling around $12 per share.

Earnings at a recent date on Mutual Oil shares were said to be running at the rate of $1,000,000 a month before necessary deductions. If the crude oil market permits this rate being maintained during the balance of the year, Mutual would about double last year's results. Were a higher crude market to develop, Mutual could profit, doubly, since a large part of its production is being held in.

Personnel of Management

No small indication of the character of the Mutual Oil organization is its trustee personnel. One trustee is Henry S. Osler, a prominent Canadian banker, identified with Standard Oil through his association with the Imperial Oil Co. Another trustee, brought into the Mutual organization at the time Hamilton Oil was acquired, is W. B. Thompson, regarded as a representative of what is probably the most important banking group in this country.

Considering (1) the great enlargement of Mutual's physical properties, (2) its increased earnings, and the margin between earnings and dividend requirements, and (3) the prominence of the interests associated in the direction of the company, the writer would be inclined to retain his Mutual shares. He would keep his en-

thusiasms in bounds, however, remembering that the company is still in an organization period and that it will probably take time for the public market to properly "digest" the Mutual Oil stock which has been issued in connection with its various absorptions. Furthermore, he would bear in mind that Mutual is a speculative oil security and therefore highly sensitive to the fluctuations in the crude oil market.

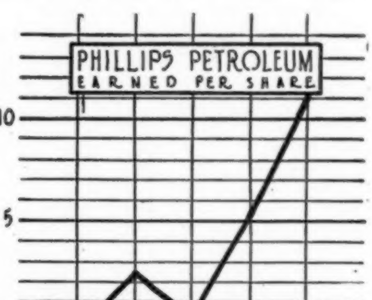
Phillips Petroleum

Its Irregular Record

PHILLIPS PETROLEUM'S results in recent years and its current progress, when compared, offer an apt illustration of the vagaries of the oil business—at least from the shareholder's point of view.

Here is a company which, in 1919, showed a deficit before dividends. In the succeeding year it earned $2.45 a share. In 1921 (after allowing for depreciation and other costs as provided for in the 1922 profit and loss statement) the balance for the stock was again *nil*. Last year (again making an adjustment for depreciation, etc., but this time an arbitrary one, representing 10% of the 1922 property account) earnings were apparently about $5.30 per share. In the current year, if statements not officially denied are correct, Phillips is earning at the rate of $25 a share before depreciation, etc., or, after making the same arbitrary allowance as that for 1922, a net balance of some $11 per share. (This latter figure, incidentally, is after considering the 50% stock dividend recently declared by the company.)

This is how the Phillips record, as itemized above, would look in chart form:



Such lightning changes as these certainly do not simplify the business or forecasting probabilities, or even of determining immediate values. On the contrary, they emphasize the ultra-speculative element attached to the oil industry in general and transmitted from the industry to oil securities. They illustrate, in other words, what this particular writer has gone from his path to point out in many previous articles, viz., that the hazards attached to oil speculation are greater, perhaps, than in any other known field.

The foregoing must not be construed as reflecting, in any way, upon the calibre of the Phillips' management or the basic strength of the Phillips organization. As a matter of fact, much can be said in favor of both.

Phillips, with a 27,000-barrel daily production of crude oil, all in the mid-continent district, ranks among the foremost independent producers of light-grade oil in the country. As a bulwark against price-changes, the company has developed a very large storage capacity, and it is reliably stated that, against some 260,000 barrels of oil held in storage toward the end of the price-toboggan of 1921, the company now has close to 3,000,000 barrels in reserve. If its oil can be valued at $2 a barrel only, and the reported reserve supplies, as above, cut in half, Phillips would appear to have a liquid resource of $3,000,000 in its tanks.

The company has made no mean progress in the development of its manufacturing facilities. The same source as that quoted above estimates the daily capacity of Phillips' casinghead gasoline plants at no less than 100,000 barrels a day, or about six times the capacity at the outset of 1922. As a shareholder, the writer would view with considerable satisfaction the development of this end of the company's business, since it tends to round off what is still largely a producing proposition, subject to the uncertainties that go with that field.

As of December 31, last, Phillips showed an excess of current liabilities over assets of some 2.7 millions, due almost entirely to notes and accounts payable totaling 9.7 millions. Since that time, it is understood, the company has succeeded in substantially improving its cash position and to have built up working capital to a sum ample for its needs. This view is strengthened by the stock dividend of 50% and the extra cash dividend of $1 per share recently declared by the directors.

As a holder of Phillips Petroleum, the writer would be inclined to base his position of the stock on his opinion of the crude-oil market. He would interpret the company's record as rather conclusive evidence of its dependence upon crude prices and would act accordingly. For the immediate future, he would be inclined to regard the price outlook as un-encouraging, with the probabilities favoring further reductions, or at least opposed to any immediate recoveries. **For the long-pull future, he would be of the opinion that the recent price reductions are more or less of a shake-down, tending to stabilize the industry and calculated to strengthen it in the long run. In other words, he would hold Phillips Petroleum only as a long-pull speculation.**

Producers & Refiners

Common vs. Preferred

AS as holder of common stock in the Producers & Refiners Corporation, the writer would be inclined to sell out immediately.

His selling would not, however, be for the purpose of severing shareholder-connections with the company. As will be briefly described later, Producers & Refiners has built up what looks to be a strong, well-ramified organization, and its future seems quite as secure as that of any of the independents, or semi-independents.

The sale of Producers & Refiners common would merely be for the purpose of *switching* the investment into the same company's preferred stock, which certainly enjoys greater security than the common and yet, up to a certain point at least, possesses entirely equal speculative possibilities while selling at an actually lower figure.

Producers & Refiners capital includes authorized issues of $50,000,000 common and $3,000,000 preferred. Of these, there is outstanding some $25,000,000 common (taking into consideration recent additions to the issue) and about $2,960,000 preferred.

This preferred stock enjoys preference over the common as to assets and 7% cumulative dividends. It shares equally with the common in any dividend distributions after both the preferred and common have received 7%. It is callable, to be sure, but only at 107%, or at $53.75 per share, which is over 7 points above the present market price of 46, finally, it enjoys equal voting rights with the common. The common is now on an 8% basis, so that the preferred automatically will share in the added distribution, also placing it on an 8% basis.

In short, Producers & Refiners preferred, evidently offering greater security and equal possibilities, seems to deserve to sell above the common, at least up to the callable point, whereas, under present market conditions, it can be bought cheaper. The quotations at this writing are $46 for the preferred and, for the common, $48.50

So far as the company behind it is concerned, it is enough to note here that it has had a good record and that its scope is being steadily enlarged by a management which has developed it from the beginning. Net income available for dividends in the 4 years 1918-21, inclusive, averaged in excess of $1,000,000 as against preferred requirements of some $207,000 annually. Last year and, up to the recent reaction in oil prices, this year the company is understood to have largely swelled these results. The operating organization is well-rounded, comprising extensive producing, manufacturing and marketing facilities, and with enlarged working capital obtained through the recent offering of additional common stock, the margin of earnings should be stabilized at a satisfactory figure.

Mining

What the Merger Has Done for Anaconda

Results of the Acquisition of American Brass and Chile Copper

By C. S. HARTLEIGH

ANACONDA means more than simply the name of a great mining company. It signifies one of the world's famous industrial institutions, an organization with high ideals and a record of remarkable accomplishments, a maker of men and a developer of methods.

Its diversified activities include everything from the mining and treatment of its raw materials, to the manufacture and sale of its finished products. The name Anaconda is a synonym for progress and efficiency in the mining industry, not only with regard to its technical personnel, but also its mechanical equipment. It has contributed to the nation's wealth of precious and base metals, and to the world's knowledge of mining and metallurgical science. Its organization has been the training school for some of the country's most able business and technical men.

Since the present company's organization in 1895, as successor to the Anaconda Copper Mining Co., it has gradually acquired, through exchange of stock, or for cash, complete ownership or control of a great many important mining, smelting, and manufacturing companies, and has become a holding company through its ownership of shares in several prominent independent copper mining companies.

In its numerous vein mines in the Butte district, it owns the heart of "the richest hill in the world," and maintains large reserves of ore of all grades. During the past few years its deep-level development has opened strong veins of high-grade copper ore at depths several hundred feet below any of its other underground workings. These discoveries confirm the downward extension of some of its best veins, and justify reasonable expectation of the availability of large bodies of payable ore throughout extensive vein areas, that insure a life of many years for its Butte properties.

ANACONDA'S RECORD

Year	Production Million Lbs. Copper	Cost Per Lb.	Earnings Per Share	Dividends Paid*
1911.....	259	9.4c	$1.86	$2.00
1912.....	294	9.7c	3.66	2.25
1913.....	242	10.5c	2.62	3.00
1914.....	205	9.0c	1.88	2.50
1915.....	235	10.5c	7.16	2.00
1916.....	307	11.0c	21.81	7.00
1917.....	239	13.5c	14.72	8.50
1918.....	273	13.5c	8.92	8.00
1919.....	134	15.0c	2.19	4.50
1920.....	141	16.0c	1.15	4.00
1921.....	33	17.0c	‡7.29	....
1922.....	157	16.0c	1.18	....
1923†....	200	11.0c	5.91	3.00

* On 4,332,500 shares of $25 par in 1911-13, and 4,662,500 shares of $25 par in 1914; from May 15, 1915, on 2,331,250 shares of $50 par.
† Estimated. ‡ Loss.

During recent years its Montana mines alone have produced nearly one-third of the copper output of the United States, and probably one-sixth of the world's output. Its production is not limited to copper, for it is also one of the greatest silver producers. Its gold output is large, and in certain months prior to its last shutdown it mined more zinc than copper. Its great metallurgical plants at Anaconda and Great Falls, Montana, have become famous for their records of tonnage, progressive development and efficiency.

Anaconda's history has been marked, especially in recent years, by the rapid diversification of its industrial activities, and its steadily advancing power in the manufacturing field through the increasing number of its finished products. Its electrolytic zinc has been long established in the trade, and commands a premium over the market price for ordinary brands of the metal. Its copper rod and wire mill at Great Falls is the most modern and efficient plant of its kind in the United States, and the products find a ready and profitable market throughout the country.

It manufactures numerous by-products in connection with its metallurgical operations, including sulphuric acid, arsenic, and white lead. It has produced ferromanganese at a profit, and is in a position to take first advantage of any favorable developments for a profitable market for this product. It owns in Idaho one of the richest known deposits of phosphate rock, and some time ago it completed an initial plant for the manufacture of fertilizer of triple strength, which in all probability will find a profitable market as far east as the Chicago district, whenever the buying of fertilizer again reaches normal proportions.

Expansion Program

The outcome of the company's expansion program in 1910 resulted in the acquisition, in exchange for its stock, of the property and assets of the Boston & Montana Consolidated Copper & Silver Mining Co., Red Metal Mining Co., Washoe Copper Co., Butte & Boston Consolidated Mining Co., Big Blackfoot Lumber Co., Trenton Mining & Development Co., and Diamond Coal & Coke Co. During the same year it acquired from the Amalgamated Copper Co., in exchange for stock, the Original Consolidated Mining Co., Colusa-Parrot Mining & Smelting Co., and the Clark Montana Realty Co.

CHILE'S RECORD

Year	Production Million Lbs. Copper	Cost Per Lb.*	Earnings Per Share*
1915........	9.5	18.55	....
1916........	42.6	18.94	$0.50
1917........	88.4	18.70	1.06
1918........	102.1	15.05	1.46
1919........	76.7	15.95	†0.24
1920........	111.1	13.18	0.54
1921........	54.0	10.8	†1.14
1922........	134.5	10.0	.60
1923........	200.0	8.5	....

* Estimated after all charges. † Loss.

Further expansion was undertaken in 1914, by the purchase of the International Smelting & Refining Co., which in turn owned the entire capital stock of the Tooele Valley Railway Co., International Lead Refining Co., and Raritan Copper Works. In 1915, the Amalgamated Copper Co. was absorbed through an exchange of stock, and in 1916 the Pilot Butte Mining Co. was purchased.

Anaconda now controls, directly or indirectly, the Butte, Anaconda & Pacific Railway, International Lead Refining Co., International Smelting Co., Mountain Trading Co., Raritan Copper Works, Raritan Terminal & Transportation Co., Tooele Valley Railway Co., United Metals Selling Co., Diamond Coal & Coke Co., Anaconda Lead Products Co., Andes Copper Co., Andes Copper Mining Co., Potrerillos Railway Co., Santiago Mining Co., and Walker Mining Co.; and its two recent acquisitions of outstanding importance, namely, the American Brass Co. and control of the Chile Copper Co., which mark the last two great strides in the formation of an organization of world importance.

Andes Copper was Anaconda's first great South American adventure, and although it has been costly, and at times somewhat discouraging, it is no doubt destined to be of great future importance. The ore deposit is porphyritic in character, and is estimated to contain 138,890,-

000 tons of ore averaging 1.5% copper. The mines are being equipped to handle a tonnage that will be equivalent to production of 168,000,000 lbs. copper annually, at a cost of about 9 cents a pound.

Anaconda's position as a holding company is further evidenced by its ownership of 285,300 shares of Inspiration Consolidated Copper Co., 59,600 shares of Greene Cananea Copper Co., 217,040 shares of Butte Copper & Zinc Co., and half the capital stock of the Arizona Oil Co., the other half being owned by Inspiration.

Control of American Brass

Acquisition of American Brass Co. placed Anaconda in the position of manufacturing consumer of more copper than is produced by all of its properties in this country, or in other words, it was placed in the well-rounded, self-contained position of being able to dispose of its entire North American production of copper metal as semi-fabricated or finished product, with all the attending economic advantages of such a situation. Since the middle of 1922, American Brass Co. has been doing such a big business that it consumed more copper than the copper company could deliver, and has been compelled to purchase more of the metal in the open market. Recently, its plants in Connecticut have been operating at full capacity night and day, and this condition bids fair to continue so long as activity in the building and electrical industries is maintained at anywhere near the present rate.

The announcement last August that the Anaconda American Brass, Ltd., with $1,000,000 capital, all owned by the American Brass Co., had been formed, and that the company had entered Canada, and was operating Brown's Copper & Brass Rolling Mills Co. at New Toronto, indicated another step in its program of expansion.

American Brass Co. is the dominating factor in its industry, controlling about 40% of the entire business of the country. It is a consolidation made in 1912, of the Ansonia Brass & Copper Co., Benedict & Burnham Mfg. Co., Coe Brass Mfg. Co., Waterbury Brass Co., Chicago Brass Co., Holmes, Booth & Haydens Co., and in 1917 of the Buffalo Copper & Brass Rolling Mill.

The merger of Anaconda and American Brass brought under consolidated management some of the best copper-producing properties and brass mills in the country. In their best year, 1918, these concerns produced more than half a billion pounds of fabricated material. In acquiring more than 99% of American Brass Co's. 150,000 shares, Anaconda took over a company having net quick assets of over $48,000,000, or about $320 a share. In 1921, the company's liquid assets were over $24,000,000 and plants were valued at more than $20,000,000, good will, plants, etc., being carried on the books at $1,000.

Demand for Finished Products

Operations of the American Brass Co. have satisfied Anaconda's every expectation during the past year, and have demonstrated an increasing demand for copper and brass products. In fact, the business has expanded to such an extent that the production of Anaconda's available properties in the United States have been inadequate to meet the demands of its manufacturing facilities. This situation placed the company in the position of requiring more raw material than could be produced at low cost. The continued high level of production cost in the United States suggested the advisability of acquiring control of the output of Chile Copper Co. which during the past few years has reached a stage of development assuring low-cost copper.

After many years of heavy expense for exploration, development, and equipment, Chile has finally established its position as the world's greatest and lowest-cost copper producer. Its immense ore body is 8,000 ft. long, with an average width of 550 ft., and its estimated ore reserves are: 327,000,000 tons oxidized ore averaging 1.9% copper, 238,000,000 tons of sulphide ore averaging 1.82% copper, and 180,000,000 tons of mixed ores averaging 2.865% copper. Total positive and probable ore is estimated at more than 700,000,000 tons having an average grade of over 2% copper.

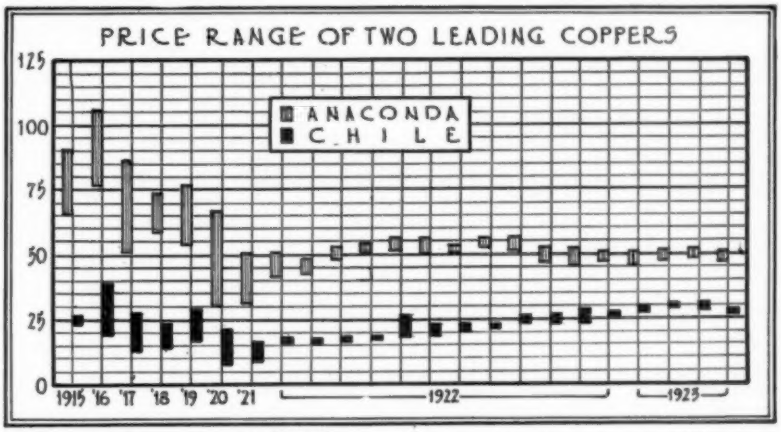
The mine has been equipped with electric and steam shovels capable of moving 43,000 tons of ore a day. From the beginning of operations in 1915, to the end of 1922, the company has produced about 620,000,000 lb. of electrolytic copper. The ore is crushed to ¼-inch mesh, and is leached in large open tanks with dilute sulphuric acid, and this solution is electrolyzed. Metallurgical progress at the property is illustrated by the fact that the recovery of copper has improved from 66.87% in 1915, during the first experimental operations, to over 91% in 1921. The cost per pound of copper during the same period, exclusive of interest, depreciation and depletion, has decreased from 16.34 cents to an average of 6.4 cents in 1922, dropping to a minimum of 5.63 cents in October, 1922.

Recently, production has been at the average rate of 200,000,000 lb. copper per annum, and with completed metallurgical installation should reach 225,000,000 lb. per annum by the midddle of this year. Anaconda plans to spend about $18,000,000 more in the development and equipment of the property. With regard to the purchase of Chile, Chairman John D Ryan expressed the belief that Anaconda has secured an important asset without any present carrying cost to its shareholders, that with Chile's present rate of output, even at the low prices prevailing during the recent period of depression in the copper industry, the earnings will be more than enough to carry interest and all charges made necessary by the purchase, and that with increased production, a very large eventual profit and a great length of life is assured to Anaconda.

Chile paid an initial dividend of 62½ cents a share in February. As holder of 2,200,000 shares of Chile stock, Anaconda would receive $1,375,000 through payment of this dividend.

Assured Future

The electrical industry, including machinery manufacture, power transmission equipment, and apparatus involved in telegraph and telephone comunication, absorbs nearly 60% of the copper production of the world. Another 20% is accounted for in the construction of automobiles, locomotives, railway cars, ships, and materials used in building construction and equipment. Therefore, i appears, that if civilization is to make progress, the future of the copper industry is assured. In this connection it is interesting to observe that most of the known large copper properties of the world have been brought to production, which suggests that in due time demand will increase faster than supply.



Mr. Ryan states that Anaconda has ceased to be a seller of raw copper except for the export market. In addition to the output of its own smelters during 1922, it purchased nearly 90,000,000 lb. of copper in the open market.

With efficient plants under centralized and experienced management, and with the established earning ability of the important units that have been brought into this great consolidation, its long and prosperous career seems assured.

Anaconda stock is quoted at around 45 and, paying dividends of $3 a share annually, yields 6⅔%. This is not high as stock yields go, but is likely to be increased as Anaconda is earning at a rate to pay over $3 a share. It is one of the soundest of the copper-company issues and can be considered attractive at this price for the long pull.

IN THE BANKING WORLD

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

How Much Reserves Must Banks Hold Against Deposits?

California Situation Raises Issue—Large Problem Involved in Savings Bank Question

THE question of reserve percentages which for some time past had been believed settled has come to the front again through the vigorous protest of California bankers against the rulings of the Federal Reserve System in connection with the amount of reserves to be held. No decision has been rendered by the Federal Reserve Board to which an appeal was taken, but the matter is still hanging fire, and so vigorous has the attitude of the California State bankers been in the matter, that there is little reason to doubt that a decision against their contention will result in losing a good many members to the system. This situation is of importance because of the bearing it has upon the entire reserve question, although nominally it relates only to a very limited field of operations.

The case of the California bankers is founded upon the question of "savings deposits." In the original Federal Reserve Act, provision was made for a reduced rate of reserves, afterwards cut to 3%, on the savings deposits to which the Act made reference. The exact definition of this term "savings deposits" was not furnished in the Reserve Act, but there was a specification that it referred to deposits payable after thirty days notice, the Federal Reserve Board being left to explain that term as best it could.

Eventually the Board issued regulations in which it took a position that savings deposits were deposits which required a notice before being drawn out, and which were not subject to check. The Board's early regulations required the issuance of a "pass book" as a preliminary to the drawing out of any such savings deposits. Subsequent modifications of various minor kinds were made, but the general thought has run through all the regulations that if a deposit was subject to notice and if it could not be checked upon, it was a savings deposit and should be so considered. As such it was a suitable candidate for classification under the 3% reserve requirement. In California, the banks had had regular savings deposits of this kind, but they have also had a special kind of deposit on which interest was allowed at less than regular savings rates, while the customer was allowed to draw checks on the balance although the bank reserved the right of enforcing notice whenever it felt so disposed. On these accounts the banks now want to be allowed to reckon reserves at 3%.

Question of Protection

The question is essentially a problem of the proper protection to be accorded to a given kind of deposits. If a city bank normally has to have 10% reserve, in order to take care of its commercial accounts and keep them liquid in season and out of season, how far is it warranted in going when it establishes special kinds of deposit accounts subject to lower rates—assuming that it has the power? The California bankers have found that these deposit accounts, which they call savings, are fairly expensive; in fact, they are so expensive that if a 10% reserve had to be carried against them, without interest, in a Federal reserve bank, they would hardly feel like doing the business at all.

Now the question is: How far is a deposit of the kind referred to really a savings deposit? The California bankers through their representatives answer this question by saying that the deposits in question really represent the available or saved funds of the customer. They are not commercial funds, the product of loans, and they are inactive. An occasional check is drawn for some personal payment, thus necessitating a certain amount of overhead work and transit effort. But the funds which are thus carried on account are regarded as "savings" in the sense that they are the available stock of cash of an individual who is using them so far as necessary to pay his expenses, and from time to time is putting aside the remaining balance in some more permanent form. It is a kind of intermediate type of account. The question whether such accounts are really sufficiently protected by a 3% reserve is a very interesting one. The California law, which has usually been regarded as very conservative and stringent, regards this protection as satisfactory. It is also understood that the authorities of the Federal Reserve bank of San Francisco take the same point of view. So from one standpoint, the question really passes out of the domain of safety and passes into the field of bank competition.

If the Federal Reserve Board should authorize a 3% reserve against accounts of this sort in California, would it not have to do so everywhere? The obvious answer is that it would, at least in all states where the local laws allowed state banks to operate under a similar condition, provided that they chose to make such a demand. But how about national banks? Obviously they would want to be allowed to compete on equal terms, not only in California but everywhere else, and the Board would be practically obliged to

make the same terms to them as to the state institutions.

In this way, the question assumes a rather broader aspect, because it involves the question whether a very large range of deposits are to be shifted from a 10% (or 7% according to location) reserve basis to a 3% reserve footing. Just how much of a cut in reserves this would mean would depend, of course, entirely upon the question of how large a volume of deposits would be likely to be classified in this way. Probably it is true that not many states where exactly the same conditions that have been established in California exist, but there are plenty where banking competition would quickly lead to a classification of accounts of this kind in order to induce customers to come in and establish new business. There is no reason to doubt that in due time the whole country would be more or less converted to this basis, since nothing spreads so fast as a cheapening or reduction of the reserve basis. Thus the problem really becomes: Can the country as a whole afford to stand a substantial cut in reserves?

Are Reserves Large Enough?

From this standpoint, the problem is a good deal harder. There are many people who believe that present reserves are not large enough. The original reserve act made them 18, 15, and 12%, according to the location of the bank. Then the act of June 21, 1917, cut these figures to the present levels of 13, 10 and 7% where they have remained ever since. But, in the original Federal Reserve Act, provision had been made whereby the Federal Reserve Board was supposed to rearrange the reserve cities of the country, putting various "country" banks into the city class, and perhaps shifting some city institutions to the country.

Very little has been done under this provision, although a few reserve cities have been added to the previously existing list. However, one of the central reserve cities, St. Louis, has been allowed to shift into the reserve city class. So, taking everything together, it is a fact that there has been a great relaxation of reserve requirements, with very little strengthening or recovery to offset this reduction. If we had not had a large influx of gold into the United States, many think, our reserves would today be very "thin" and we should have suffered some danger. Now if there should be a large export of gold in the near future, as not a few believe there will be, shall we find that the Reserve Act has cut reserves too much or not? The possibility that this may turn out to be the case has made a good many people hesitant about cutting any further until a good deal more is known with regard to the prospects. In fact, there are not a few who are inclined to the belief that reserves, if anything, are not now as high as they really should be. There is a decided difference of opinion on the subject among the experts.

The reserve situation undoubtedly has an important connection with gold holdings. At present, as is well known, we have an excess supply of gold in the United States. The reserve banks with a ratio of reserve percentage at last accounts of 77 are far above their required level of 35-40 per cent. This, however, is a situation which would quickly change if we were to export a substantial amount of gold.

The question then would be whether our present great structure of credit could be sustained upon the normal volume of gold in this country. Of course, from the inflationary point of view, this question appears to suggest the thought that required reserves are already amply high, since the requirement of a larger percentage would mean that member banks must keep a larger balance with the reserve banks which could be done only by depositing with them actual money or else rediscounting more freely. If the latter plan were pursued, the reserve banks would have a larger structure of credit to sustain on a given gold base.

From another standpoint, however, this discussion suggests the desirability of a lower price level with corresponding readjustment of outstanding volume of credit on prices as thus determined. This makes a much more complex problem of the case, and suggests that in view of the distinct probability that we shall lose gold within a comparatively early future, it is very desirable not to have a much greater expansion of credit. Such an expansion, however, would take place if we were to relax our reserve requirements. Applying this thought to the question of a general reduction of reserves behind so-called saving deposits to 3%, the question of making such a reduction assumes a rather different aspect. There is a good deal to be said against the proposed step, however acceptable it may be to the banks at large.

California Situation Troublesome

Of course, this makes the California situation still more troublesome, because it shows the possible difficulties which may grow out of a precedent there, while on the other hand there would be no inflation in California consequent upon a favorable decision, because the position of the banks there is already established and the reserves are held to be adequate by competent local authorities. How to work out of the difficulties of the matter, and to avoid loss of members in an important reserve district where they are needed to give strength to the reserve system because of the large size of the territory served and the great assets of the state banks affected by the ruling, is a question that is by no means easy to answer.

It remains true that the best way of answering it is to do what probably ought to have been done at a much earlier date—reach a general conclusion as to the level of reserves throughout the country with a view to deciding what, if any, changes in it can safely be permitted to occur.

Active Banking Policy Expected

(*Special Correspondence*)

Washington, May 2.

IMPORTANT developments affecting the Federal Reserve Board have taken place within the past few days, and it is now probable that the deadlock which has "tied up" the work of that body will shortly be broken. **Mr.** J. R. Mitchell who has held office for some two years past, has resigned his membership in the Board, but simultaneously it has been announced that President Harding has named Mr. G. R. James of Memphis, Tennessee, in Mr. Mitchell's place and that this new member will take office about May 12, immediately after the retirement of Mr. Mitchell.

Mr. James is known as a man of prominence in business and financial circles in the South, and has held appointments as an officer of banks during past years. He is also known for his interest in education. During the war, he served in Washington as a member of the War Industries Board, and is therefore directly familiar with political and official life. He is classed as a Democrat.

Governor Crissinger Takes Office

At the same time that the selection of Mr. James was made known, President Harding also directed the actual assumption of office by Mr. Crissinger who had been confirmed by the Senate before the recent adjournment as Governor of the Federal Reserve Board, while a new comptroller of the Currency, Mr. H. M. Dawes of Chicago, succeeds Mr. Crissinger as head of the national banking system. It is announced upon good authority that the President will shortly select a member of the Board to fill the position provided for a "dirt farmer" at the instance of the farm bloc, so that it is apparently true that within the early future there will be a complete Board membership able to undertake some of the decisions which have been so long deferred pending the filling of the vacant places.

Among the issues which are still hang-

(*Please turn to page 84*)

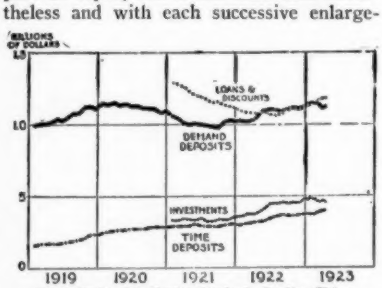
·SERVICE·SECTION·

The Banking Situation

Growth in Credit Volume—New Open Market Policy—The Present Position

CONTINUED growth in the volume of credit at member banks during the past two weeks has brought the rank and file of commercial institutions up to a level at which it would seem that they were likely at a very early date to be obliged to borrow heavily at reserve banks if expansion should continue, or if business should be maintained in anything like the volume it is at present. Since the middle of 1922, when renewed demand for credit was first reflected in larger loans, says the Federal Reserve Board in a statement issued on April 30, "total loans and investments of member banks in leading cities have increased by $1,300,000,000. . . . At the present time the total of member bank credit is nearly as large as in 1920. . . ."

This growth has been on a somewhat lower percentage basis during the latter part of April, but it has continued nevertheless and with each successive enlargement the commercial banks draw nearer to the point at which they must fall back on Federal reserve banks for further power to increase their advances.



Bank Credit—800 Member Banks in Leading Cities

The slowness with which this shift of credit to the reserve banks has occurred has, however, naturally led to discussion of ways and means for meeting the situation in some different fashion and the result has been to bring about an announcement, tentatively made, by the Federal Reserve Board with reference to its open market policy. The Board now states that, since the middle of January, 1923, increases of discounted paper at reserve banks have been accompanied by a decline of open market purchases, the latter being sold or allowed to run out as discounts increase.

At the recent conferences between the Board of Governors of reserve banks, there was "discussion of open market policy. . . ." The Federal Reserve Board's position in the matter is indicated by the adoption of the following: "That the time and manner, character and volume of open market investments purchased by Federal reserve banks be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases and sales on the general credit situation." Although this is rather cryptic to one who has not followed closely the development of reserve policy, what it amounts to is this: In the past Federal reserve banks have been largely governed in their purchases of open market paper by the getting of enough investments to provide income to carry their expenses, whereas now it is intended to make the open market investments on a basis intended to harmonize with or to influence in appropriate ways the general credit situation. This, if followed out, will of course be an immense change in reserve policy.

Open-Market Problem

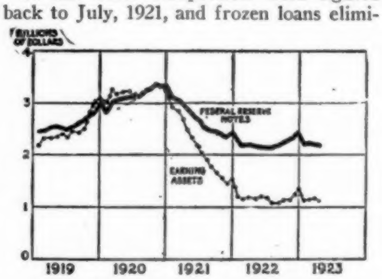
The open-market problem has always been a sore point in the Reserve System, due to the fear of various classes of banks that the reserve banks might become competitors with themselves if they were to go into the open market to any considerable extent. The point has been neglected that by keeping them out of the open market they were thrown back upon changes in the discount rate as a means of affecting interest and credit conditions generally.

The latter policy, of course, meant that the influence exerted upon the market position would be sporadic or uncertain, and likely to bring about extreme changes from time to time, whereas the open market plan, consistently and carefully followed, would provide a regular and steady means of adjustment of market rates to reserve-bank rates. Realizing this during the past few months, some of the larger member banks have been urgent that reserve banks should throw upon the market some portion of the investments which they were holding with a view of carrying off the surplus credit and so of driving rates up to a rather higher level. The reserve system has pretty steadily resisted these suggestions, and the new policy now adopted is the first indication of a disposition to pursue the plan recommended that has thus far been noted. However, the proof of the pudding is in the eating, and it remains to be seen how far the reserve banks will actually go in carrying out these proposals.

The actual credit position is a matter of greatest interest at the present time, and may be easily traced in the following diagrams which furnish a survey of present tendencies. From these it is seen that, whereas general bank credit continues on its upward movement, reserve-bank credit has grown but very moderately of late, the figures during the past few weeks showing indeed slight ups and downs which left conditions not far from stable on the average up to the close of April.

Expansion of production has necessarily called for a larger amount of financing, so that the growth of the amount of goods placed on the market furnishes in some measure a guide to the growth that has taken place in credit. According to estimates made by the Federal Reserve Board such expansion of production is about 67% since July, 1921; that is to say, it is about 167% of what it was on that date, while the advance of bank credit during the past year (at member banks) has been about 11%.

If the latter comparison were figured back to July, 1921, and frozen loans eliminated in order to afford a satisfactory comparative basis, it is probable that member bank credit would show an enlargement of perhaps 20 to 25% in the active commercial branches of business, although comparative figures for reserve banks show that during the past nine months loans made by them to member banks have increased about 69%. After all allowances have been made, however, it would appear to be true that the expansion of credit has been considerably less than the expansion of production, so that such "inflation" as had occurred up to the present time is not to be directly attributed to the use of banking funds in business.



Bank Credit—All Federal Reserve Banks

As is evident from the statistical position and as is noted by the banking authorities in recent statements, our present lending capacity continues technically very large; so large indeed that it is far ahead of the productive capacity of the country. This means that there is likely to be at no time any stringency or insufficiency in the amount of credit available for the use of banks which seek to re-

(Please turn to page 71)

·SERVICE·SECTION·

TRADE TENDENCIES

Price Declines Numerous

Period of Reaction at Hand?

STEEL

Quieter Market

THE steel industry continues to produce at full blast. The Steel Corporation operates at around 92-93% with the independents a shade better. Orders on hand are sufficient to keep the mills busy at around current rates for the next three or four months.

The price situation is drawing considerable interest as the trend is no longer upward. On the contrary, as indicated by the sharp decline in scrap prices and the virtual elimination of premiums for early delivery (except in a few instances) it would appear that steel prices this year had already reached the peak. This, of course, has to do with the general market. There are, however, still numerous instances of where price advances may be expected where such advances would place the product in question on a parity with the rest of the market. It may interest readers to know that during the past few weeks, some enormous losses were taken by dealers in scrap on account of the $6 a ton drop in that commodity. This would seem to signify the speculative levels to which at least one steel commodity was driven. Some apprehension exists lest this weakness spread to other steel products. Altogether, on the price side at least, we seem to have reached a period of uncertainty in the steel markets.

Labor continues to aggravate steel officials and it is felt that conditions in this respect will grow even less favorable in the next few months. Undoubtedly the open season will draw off a certain percentage of labor to such trades as building and other trades where higher wages than those being paid in the steel mills may be had.

Earnings of the leading companies continue very good. First quarter reports at hand indicate that most of the more important companies have been able to earn satisfactory amounts on their junior stocks and that, while a reaction may be expected, it will not come in time to seriously affect second quarter prospects.

COMMODITIES
(See Footnote for Grades Used and Unit of Measure)

	1923 High	Low	Last*
Steel (1)........	$46.25	$36.00	$46.25
Pig Iron (2).....	31.50	24.00	31.50
Copper (3)......	0.17½	0.14¾	0.16¾
Petroleum (4)...	4.10	3.00	3.75
Coal (5).........	4.25	2.02½	2.27½
Cotton (6).......	0.31	0.26½	0.27½
Wheat (7).......	1.38	1.30	1.30
Corn (8).........	0.80⅛*	0.68	0.82
Hogs (9).........	0.08½	0.08	0.08¼
Steers (10).....	0.10¾	0.08¾	0.10
Coffee (11).....	0.13	0.10¾	0.11½
Rubber (12)....	0.37	0.27	0.32
Wool (13).......	0.58	0.56	0.56
Tobacco (14)...	0.24	0.18	0.24
Sugar (15)......	0.08½	0.05½	0.08
Sugar (16)......	0.10½	0.07	0.10¼
Paper (17)......	0.04⅛	0.03¾	0.03¼

* May 2.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96* Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

METALS

Lower Prices

The copper market during the past few weeks has suffered a severe reaction as can be seen from the fact that prices are now around the 16½ cent level as compared with over 17 cents a month ago. This decline in the basic material has not as yet affected the finished products which are still being quoted at around the highest points of the year.

Copper exports are increasing. In April, shipments were 5574 tons larger than in the previous month. Domestic consumption continues heavy but is gradually being overtaken by increases in production, a situation which undoubtedly accounts for the decline in red metal prices recently. The outlook at this time seems somewhat clouded. Some profess to see in the recent decline only a commencement of a big selling wave which will bring the metal below the 16 cent level. This view, however, is not generally being held as it is felt that the tremendous trade demands for finished copper products will support the market.

Lead and zinc are distinctly reactionary due to over-production, this being particularly true of zinc, production of which was greatly stimulated through a steady advance last year in the price. It is not probably, however, that prices will decline much below present levels in the case of either commodity as buyers will undoutedly be attracted into the market by the spectacle of falling prices.

Silver is in an interesting position owing to the swift approach of the time when the Pittman Act will no longer be operative. Foreign prices for the white metal are around 67¾ cents an ounce. The domestic price, of course, is 99¾ cents. When July 1 comes around domestic producers will have to accept the world price for their product. Since the price is far below what they have been receiving from the Government, it must be obvious that their position will not be nearly as favorable as it has since the time when the Pittman Act came into being.

THE TREND

STEEL — Prices lower. Production maintained at high point. Labor troubles disconcerting.

COPPER—Reactionary market. Increasing foreign sales. Further decline unlikely. Prospects good.

OIL—Declining market and price war. Efforts toward curtailing production. Conditions should shortly improve.

SUGAR—The Government suit. Housewive's strike. Lower market.

COTTON—Over-speculation results in drop. Good weather conditions. Large crop outlook.

RAILROADS — Large traffic. Good March earnings reports. Outlook satisfactory.

SUMMARY — Reactionary trend in prices. Hesitation manifested in some lines. Production near high point. Labor shortage harmful. General outlook still satisfactory though the peak has probably already been reached.

SUGAR

Political Action a Depressing Factor

Action of the Government against the Sugar Exchange, combined with a nationwide protest at the high price of sugar, has for the time being at least contrived to give a quietus to the market. The effectiveness of the new propoganda for lower prices can be seen from the fact that prices are now off a full half cent

(*Please turn to page* 68)

SERVICE SECTION

ANSWERS TO INQUIRIES.

Industrial Securities

SPECIAL OPPORTUNITIES IN STOCKS

Regardless of the Market, Some Issues Appear to Be in a Favorable Position

I have noticed your remarks in THE MAGAZINE OF WALL STREET *to the effect that the market is in an uncertain stage, and that it is a wise policy to keep a big percentage of your money out of speculative issues. This is sound advice, in my opinion, but it is well known that some companies are showing very large earnings, and it appears to me that there are some stocks that have a good chance of advancing even if the bull market is over. If you have any suggestions to give me along this line I will greatly appreciate it.—A. H. K., Trenton, N. J.*

While it is well to be extremely conservative at this time, in our opinion there are quite a few issues entitled to sell at higher levels on the basis of current earnings and favorable outlook. Should the market become decidedly reactionary these stocks may sell a little lower but if held for the long pull considerably higher prices should ultimately be seen.

Under the terms of the capital readjustment plan of Interboro Rapid Transit, Manhattan Rwy. modified guaranteed stock is now receiving dividends at the rate of 3% per annum but will be entitled to dividends at the rate of 4% in October of this year and 5% in October, 1924. After 4% dividends are paid on Interboro Rapid Transit stock, Manhattan stock will share in any further dividend payments until 7% is reached. As Interboro Rapid Transit is showing its charges earned with a substantial margin to spare there is apparently no reason to doubt but that the terms of the modified lease will be lived up to. At present levels of 44 the Manhattan stock appears to be on the bargain counter in view of the fact that in a year and a half it will be on a permanent 5% basis.

Foundation Company is a newcomer on the New York Stock Exchange but this company has an excellent record over the past several years having maintained dividends right through the period of depression. It is now paying 6% which gives a good return at present levels of 69. The company has over forty million dollars of business on its books at this time and earnings for 1923 should be in excess of $20 a share. It is one of the largest construction companies and apparently has a definitely assured future.

Kelsey Wheel selling around 102, only pays 6%, but this company has demonstrated an excellent earning power and is in very strong financial condition. In both 1921 and 1922 over 15% was earned on the stock and the outlook is for larger earnings this year. Ratio of current assets to current liabilities is 10 to 1, so that the company is in a position to be much more liberal to stockholders in the near future.

Wright Aeronautical in the past four years has averaged $2.30 a share on the stock and for the past two years has paid $1 a share in dividends. It has a liquidating value considerably in excess of the present market price of 10. Business on its books at the present time assures a profitable year's operation.

AMERICAN CAR AND FOUNDRY

Has Three Year Dividend Reserves

In view of the favorable outlook of the equipment industry, several months ago I purchased 50 shares of American Car & Foundry common stock, as this was one of the leading companies in the industry. I have been disappointed in the market action of the stock as it had practically no advance after I bought it, and is now selling a few points under my purchase price. Do you consider the outlook for this company sufficiently encouraging to warrant retaining the stock, or had I better accept my loss?—R. N. G., Hammon, Ind.

American Car & Foundry is one of the strongest companies engaged in the equipment industry, its working capital being close to $40,000,000. The company still retains intact the sum set aside about three years ago to cover dividends for three years at the 12% rate. As earnings each year since have exceeded dividend requirements it has been unnecessary to touch this fund. The company's fiscal year ended April 30, and while the report has not been made public it is understood that the dividend was earned with a fair margin to spare. Sufficient orders have been booked to keep the company's plants at capacity for many months. In view of the three-year dividend reserve the present rate of 12% is very secure and with the outlook so promising there is, of course, the possibility of extra dividends. We consider the stock a good business man's investment and if held for the long pull likely to go to higher levels.

RADIO CORPORATION OF AMERICA

Earning Preferred Dividend

As a holder of Radio Corporation of America common and preferred stock, I would like to have your opinion as to how soon dividend payments can be anticipated.—A. K., Plattsburg, N. Y.

Radio Corporation of America for the year ended December 31, 1922, reported net income of $2,974,580 after providing for expenses and depreciation. This is equal to 15% on the 3,955,974 shares of preferred stock outstanding of a par value of $5. The net income for 1922 was all appropriated as reserve for amortization of capital and writing off of organization expenses. The balance sheet as of December 31, 1922, shows a good financial condition with about three million dollars in cash and accounts receivable and five million dollars in inventory as against 2.6 million current liabilities. The preferred stock becomes cumulative January 1, 1924, and in view of the earning power demonstrated by the company in 1922 and the outlook for a good year in 1923, it is our opinion that the 7% dividend will be started at that time. We consider the preferred stock a good long-pull holding. The earning power of the company at the present time is not sufficient to pay liberal dividends on the common stock and we would not look for any dividends on this issue for several years. However, the Radio industry is one that offers prospects of substantial growth in the future and we consider the common stock to have possibilities if held for a long pull of four or five years.

CONTINENTAL MOTORS

Operating at Capacity

How is it that Continental Motors is not paying anything on its stock in view of the prosperity in the automobile industry that has enabled many companies to increase their dividend? Is there anything fundamentally wrong with the company and had I better sell out my stock and switch into a dividend-payer?—A. T. F., Harrison, Me.

Continental Motors for the year ended October 31, 1922, earned 72 cents a share on the present 1,760,045 shares of common stock of no par value. Failure of the company to pay dividends is probably due to a desire on the part of directors to further strengthen its financial condition. Recently $2,000,000 preferred stock was retired. The company still has $4,500,000 7% notes which mature in the next two years and may pay these off before resuming dividends. The company's product bears an excellent reputation and the plants are now understood to be operating at full capacity which means an output of 40,000 engines monthly. A favorable development has been the success of the Durant Cars which use the Continental motor and in our opinion, the company can look forward to a substantial business

from this course for some years to come. At present levels of 9 we consider the stock to have attractive long-pull possibilities but as dividends may not immediately be resumed it is likely to be slow to show appreciation in value. For those who would rather hold a dividend-payer a good switch in our opinion would be into Wright Aeronautical paying $1 per share per annum and selling around 10.

PHILLIP MORRIS

Earned 50c a Share in 1922

While as a rule I do not pay much attention to tips on securities, I have been told that Phillip Morris Company, selling around 18, is going to go considerably higher and thought I would ask your opinion of the stock as a speculation at these prices.—G. S., Greensburgh, Pa.

Phillip Morris & Company, Ltd., for the year ended December 31, 1922, showed net earnings of $139,041 equal to about 50 cents a share on the 276,000 shares outstanding. In view of the fact that 1922 was an excellent year for tobacco companies, many reporting the largest earnings in their history, this is certainly not a very impressive showing. It is anticipated that a better showing will be made in the current year as the company late in 1922 placed new brands on the market. These are the brands of Imperial Tobacco Company of Great Britain and Ireland the American rights for which were acquired by a Phillip Morris subsidiary company. However, it is our opinion that the advance in the stock to present levels of around 18 has quite fully discounted any additional benefit to be received from this

(*Please turn to page 66*)

Inquiries on Mining Securities

KENNECOTT COPPER

Earning About $6 a Share

Is there likely to be an increase in Kennecott Copper dividend in the current year? I hold a few shares of the stock at a profit, but if the dividend is going to be increased I ought to get more money for it. Has the company plenty of cash to pay dividends with?—H. T., Scranton, Pa.

Kennecott Copper for the year ended December 31st, 1922, only reported 28c. a share earned on its stock, but this was after charging off over $5,000,000 for depletion which is an unusually heavy charge. Had this amount not been charged off earnings in 1922 would have been equal to about $2.00 a share. Earnings in the current year have been at the rate of around $5 a share and, as the company is steadily increasing its production, it is estimated that as high as $6 a share may be earned for the full year. Kennecott is in very strong financial condition. As of December 31st, 1922, it had cash and marketable securities on hand of $10,500,000. In our opinion there is a very good chance of Kennecott Copper increasing its present dividend of $3, although, of course, that will depend on how well the price of copper metal holds up. It is good opinion that copper will not recede materially from present levels for some time to come and we consider the stock a good long-pull holding.

AMERICAN SMELT. & REF.

Dividend Expected

Can you tell me when American Smelting & Refining Co. is likely to resume dividends on the common shares? I have held the stock for a long time without any returns as I always had confidence in the company, but if they are not going to be more liberal with stockholders soon I want to switch into something else that pays better.—S. N. L., Rockville, Md.

There is apparently no good reason why American Smelting & Refining should not start dividends on the common stock at any time as earnings so far this year have been at the rate of $14 a share and should continue on a favorable basis for the balance of the year. The company is in excellent financial condition with a working capital of 50 millions and recently sold 10 million bonds to provide funds for immediate extensive developments and additions to its Mexican properties, especially the coal property at Rosita which will be equipped for an output of 50,000 tons a month. A new copper as well as a new zinc smelter will be erected and important new Mexican mining properties will be acquired. While we cannot undertake to tell you definitely when dividends will be resumed, it is good opinion that you will not have to wait longer than June. In 1922, after making heavy charges for depreciation and depletion, $3.28 a share was earned on the common. The dividend was passed in 1921 because of the complete stagnation in the metal industry such as is not likely to occur again at least for a long time to come. The record of the company is good, and once dividends are resumed they are likely to be continued. We consider the stock a good specvestment.

MOHAWK MINING

Low-Cost Producer

I would like to have a brief report from you on Mohawk Mining and your opinion of the stock.—R. S. D., Boston, Mass.

Mohawk Mining capitalization consists of 100,000 shares of stock of a par value of $25. There is no funded debt. For the year ended December 31st, 1922, the company reported net profit of $211,480, equal to $2.11 per share. This was before any reduction for depreciation or depletion. These earnings are based on 13.55 cents for copper. When operating at capacity Mohawk Mining is a low-cost producer, being able to make the metal for around 10 cents a pound. The financial condition of the company is strong, net liquid assets being around two million dollars or $20 a share. This company has shown a good record over a long period of years and, with copper metal at high levels, has been able to show very substantial profits. In 1921, the company reported a deficit of $278,751. Earnings per share in the preceding years were as follows:

1920	$1.89
1919	5.15
1918	6.96
1917	16.81
1916	22.30
1915	15.11

While we consider the stock a good copper holding it has had a substantial advance in price and, as present market conditions are not favorable, we consider it likely that, if sold around present levels, it could be repurchased somewhat lower down.

COPPER RANGE

Earned 84c. a Share in 1922

Please let me have your opinion of Copper Range stock and whether it is advisable to hold for higher prices.—M. S. F., Albany, N. Y.

Copper Range Company for the year ended December 31st, 1922, showed profits equal to 82 cents a share on the 394,422 shares outstanding. Including all three of its properties the company produced 29 million pounds of copper at an aggregate cost of 13.22 cents a pound exclusive of depreciation and depletion. With the metal around 17 cents a share Copper Range should be able to show earnings of between $4 and $5 a share on the stock. One factor that is holding the company back is the unfavorable labor situation which is preventing increased production by Lake Superior Mines. However, with present production around two and a half million pounds a month Copper Range is showing a good profit. A dividend of $1 was recently declared payable May 10th. This company has a good record for a long period of years, but at present levels of around 43 we are inclined to the opinion that the stock has dicounted rather fully the outlook for increased earnings and do not anticipate an advance from present levels in the near future. We would consider a switch into Manhattan

Rwy. modified guaranteed stock, paying $3 and selling around 44, a good move at this time.

UTAH COPPER

Controlled by Kennecott

Kennecott Copper, as you undoubtedly know, has offered to exchange their stock for Utah Copper on the basis of 1¾ shares of Kennecott for 1 of Utah. I would like to have your opinion as to whether it is desirable for me to make this exchange from the standpoint of an investor. I have held my Utah for several years and if I change it for Kennecott it will be with the idea of holding the latter for investment.—A. B., Rutherford, N. J.

From a careful examination of the earning power and assets of Utah and Kennecott Copper it is our opinion that the offer of Kennecott to exchange the stock on the basis of 1¾ for 1 is a fair one and that you would have just as sound an investment by accepting the offer. Kennecott through its holdings in Alaska and South America is amply protected on the question of ore reserves, and as it is a very low-cost producer, can make money even when conditions in the copper industry are not particularly favorable.

1913 to 1922 inclusive have averaged $11,490,000 per annum as against interest requirements on the first mortgage bonds including this issue of $2,723,885. For 1st quarter of 1923, such earnings amounted to $3,637,000. Company is in excellent financial condition and has no bank loans. Working capital as of Feb. 28, 1923, was over 50 million. Including proceeds of this issue the company will have on hand 19½ millions cash and marketable securities. This bond is entitled to a high rating and is suitable for a woman's funds.

WANNER MALLEABLE CASTINGS

Class A Common

Please let me have some information in regard to Wanner Malleable Castings Co.—F. J. K., Camden, N. J.

Wanner Malleable Castings Co. capitalization consists of 50,000 shares of Class A stock and 120,000 shares of Class B stock of no par value. Class A stock is entitled to receive non-cumulative dividends at the rate of $3 per share before any dividends can be paid on the Class B. Class A is convertible at any time into Class B. No bonds or notes of longer maturity than one year can be issued without consent of ⅔ of Class A stock. Plants at Hammond, Ind., and South Beloit, Ill., have a capacity of 130 tons of finished castings per day. Average annual net earnings of the Hammond plant for 5 years and three months have been $198,740 or nearly $4 a share on the Class A stock. The South Beloit plant acquired through present financing is the larger of the two and the management estimates that the combined plants will be able to show earnings of $400,000. Directors of the company have signified their intention of placing the stock on a $2.50 annual dividend basis commencing July 1. Balance sheet as of March 31, 1923, shows a book value, not including good will, equal to $38.75 a share on the Class A stock. This stock was recently offered to the public at 31.

New Security Offerings

STEVENS FUEL CO.

Attractive 7% Preferred

In your opinion is Stevens Fuel Co. 7% preferred stock a good purchase for permanent investment? I am considering purchasing some of this stock and have been doubtful as to whether this company's business is one that is likely to continue to do well in the future.—B. C. N., Endeavor, Pa.

Stevens Fuel Co. is a consolidation of seven retail coal companies operating in upper Manhattan, Borough of the Bronx, New York City. The companies' coal yards are well situated on navigable waterways and can make deliveries at low cost. The business is a stable one, not being largely affected in periods of depression and in our opinion the company should continue to do well in the future. There is $500,000 1st preferred 7% cumulative stock outstanding and net quick assets of the company alone are equal to $161 a share. Net tangible assets are equal to $383 a share. For the six years ended July 31, 1922, net earnings of the present properties have averaged 3.5 times dividend requirements on the 1st preferred. Net earnings for the first five months of the current fiscal year were at the annual rate of 5.8 times the 1st preferred dividends. No dividends may be paid on any other class of stock which would reduce net quick assets below 125% of 1st preferred outstanding. Stock is callable at 110. We consider the stock an attractive investment.

MIDDLE WEST POWER 6½s

Yield 6¾%

I will appreciate having your opinion of the recent offering of Middle West Power 6½% bonds due 1943.—S. G. L., Joliet, Ill.

Middle West Power Co. 1st mortgage 6½s Series A due 1943 are secured by a first mortgage on all permanent property of the company. Company has under construction a modern generating station of 40,000 k.w. initial capacity and 40 miles of transmission line valued at $5,400,000 against which $3,850,000 bonds will be issued. The Middle West Utilities Co. which serves 639 communities with an estimated population of 1½ million has contracted to cause prompt payment of sinking fund requirements calculated to retire 48% of this issue before maturity and also to cause the output of Middle West Power to be purchased at a price sufficient to pay operating expenses, maintenance charges, taxes, depreciation and bond interest. We rate this as a good middle grade bond and attractive at the offered price of 97¼ to yield 6¾%.

APPERSON BROS. 7s

Business Man's Investment

Your opinion is desired on the desirability of making a business man's investment in Apperson Bros. Automobile 7% bonds.—R. H., Yonkers, N. Y.

Apperson Bros. Automobile Co. $700,000 1st mortgage 7% bonds are secured by a closed first mortgage on all fixed assets. The American Appraisal Co. as of Aug. 1, 1922, estimated the sound depreciated value of such fixed assets at 1.3 million equal to $1,900 for each $1,000 bond. Total net tangible assets, after deducting the three year debentures are equal to $4,200 for each $1,000 bond. For the ten years and six months ended Dec. 31, 1922, net earnings available for interest and depreciation averaged 3¾ times interest on these bonds. In 1922, earnings were 5¾ times interest charges. The management estimates considerably larger earnings for 1923. The company has shown a profit in every year since the commencement of the business in 1893. We consider the bonds offered at a price to yield 7½% an attractive business man's investment.

AMERICAN SMELTING & REFINING 6s

A High Grade Issue

Do you consider the recent offering of American Smelting & Refining 6% bonds a sufficiently conservative investment for a woman who cannot afford to assume any risks—A. N. B.

American Smelting & Refining Co. $10,000,000 1st mortgage 6s Series B due 1947 are, with 42 million Series A bonds, directly or by pledge of securities a first lien on all the property, plants and equipment of the company and on substantially the entire capital stocks of certain subsidiary companies. Net earnings applicable to interest on the bonds from

LONG ISLAND LIGHTING

7% Preferred

What is your opinion of Long Island Lighting Co. 7% preferred stock which is being offered at $100?—D. M. B., New York City.

Long Island Lighting Co. 7% cumulative preferred stock in our opinion is a good business man's investment and attractive at the offered price of 100 to yield 7%. For the year ended Dec. 31, 1922, balance available for dividends, depreciation and reserves was $836,704 which compares with annual dividend requirements on the preferred stock of $205,870. Long Island Lighting owns 99% of the common stock of the Queens Borough Gas & Electric Co. and supplies substantially the entire electric light, power and gas service on Long Island up to the New York City line. This area is approximately 1,200 square miles and contains a population of over 300,000.

Activities of the
Investors' Vigilance Committee, Inc.

Cooperating With the Chambers of Commerce, Business Organizations and "The Magazine of Wall Street"

By RALPH W. BUDD, Manager I. V. C.

Using Legitimate Companies for Worthless Promotions There is no criminal on record who is as unscrupulous as the promoter of worthless securities. These people will stop at nothing. In order to unload their securities on the public they leave no artifice untried. To them nothing is sacred. The Church, the Government, legitimate business, and the misfortunes of other people are all made capital of for their own ends. If they can learn of a person, especially a widow, who has lost a relative and by whose death has received insurance money they will lay their plans and resort to the cruelest methods to get this insurance benefit for their enterprise.

Will Stop at Nothing

We recently learned of a company which by corrupting a man in the employ of an insurance company got from him a list of names with particulars of people who had received insurance benefits. Using this list some member of the Gyp Concern would write a personal letter to the deceased relative, addressing them in a familiar way by their first name, and representing themselves to be an old friend. They would state that for a number of years they had been waiting an opportunity to repay the deceased for many kindnesses shown by them years ago. That at last the opportunity had come, and they were going to give this old time friend a chance to make a lot of money.

This letter naturally fell into the hands of the deceased's relative, who would probably receive the major portion of the insurance. The letter was invariably followed up by a representative who would call and ask to see the mourned party. When told that the party he had called to see was dead the salesman would express extreme grief, and state how he had come to repay kindnesses of former years. Then after gaining the confidence of the widow or other relative who had received the insurance benefit would agree for the sake of the old friendship to give to them the opportunity intended for the dead person.

This plan has worked so well for unscrupulous promoters that invariably they take the whole of the insurance money, and in some cases take other small savings besides.

Placing the names of well known people on "Advisory Boards" gives the promoter a dangerous means of inducing people to part with their money. These "Boards" are made up simply writing to the well known person and advising them that they have been elected by the directors of the company as a member of the Board. In most cases the people written to are very busy and pay no attention to the letter, which generally is thrown into the waste paper basket. But the promoter keeps the carbon copy, and then if the legality of his action is questioned he has it and the minutes of his directors' meeting to prove that the person in question was duly elected, and that so long as they made no objection it was considered that they had accepted the position.

MILLIONS are lost every year in worthless securities. No matter how small a community may be, the toll is in thousands. This is lost for legitimate enterprise.

It is the duty of every citizen to get behind the movement to stamp out the sale of fake securities. Call the attention of your Bankers and Business Organizations to this important work.

If you receive any promotion literature, mail it to the Investors' Vigilance Committee, Inc., and help to wipe out this pestilence.

For Any Situation

On investigation we have found that some of these "Advisory Boards" contain several hundred names of prominent people, including clergymen of different churches, government officials, and men at the head of leading industries. These names are generally divided into several lists, and each is used among a different class of people. If the salesman is working among Catholics the list shown will contain the names of several priests and others prominent in the Catholic Church. If they are working among foreigners they generally have a number of prominent foreigners of each nationality that they can use. If they find that a man whom they are trying to sell is a Democrat they invariably have a list of good Democrats to show him. These promoters have their lists so compiled that they can meet almost any situation, and of course their salesmen are instructed when and where to show each list.

If every man or woman who receives a letter telling them that they have been elected to an "Advisory Board" would demand that their name be removed from such board immediately, and then make thorough investigation before allowing their name to be used, it would help tremendously in the campaign against fraudulent securities. Unfortunately we have too many people who will not take this trouble, and before that fact that names are being used for the purpose of selling worthless stock is brought to their attention hundreds and in some cases thousands of people have been swindled of their money.

Another Common Method

Coupling the name of a promotion with a legitimate going concern is a common practice, and is being worked successfully by swindlers every day. This is often done by taking a name for the new promotion similar to that of a going concern, and then in the promotion literature relating a lot about the success of the legitimate enterprise. Many uninformed people, who are not capable of analyzing promotion literature, are lead to believe that the new concern is a part of the old, and that if they put their money into it they will have the same success that the original investors in the going concern have had.

One of the latest schemes for stampeding people into the purchase of promotion stock is the use of fake telegrams. We have recently sent out bulletins on these to warn the public against them.

There is a man by the name of J. R. Yett, who is circularizing the country and inviting people to come in with him on the ground floor of an oil promotion. Mr. Yett emphasizes the fact that he is Cashier of the First National Bank of Marble Falls, Texas. In his literature he makes a number of very tempting promises to those who will come in with him for the small sum of $100. Among these promises are that the investment of $100 will bring in the investor the sum of $324,000. Also that this investor if he puts in $100 may be one of the Directors of the Company. Mr. Yett's plan is to have 500 men each put in $100 or more and each may become Directors.

In his literature, Mr. Yett gives out the following as his guarantee.

My Guarantee

"Leave it to me to work out the details and bring all these things to pass—leave it to a Banker of known honesty and in-

(*Please turn to page* 87)

This page has been donated by THE MAGAZINE OF WALL STREET *for the express purpose of presenting regularly the work of the Investors' Vigilance Committee, Inc., with whom we are cooperating in conjunction with the Chambers of Commerce and other Business Organizations of the Nation.*

The statements contained herein are not guaranteed but are based upon information which we believe to be accurate and reliable.—Editor.

NEW ISSUE

$1,500,000

Advance Bag & Paper Co., Inc.

First Mortgage 7% Convertible Sinking Fund Gold Bonds

Dated May 1, 1923 **Due May 1, 1943**

Authorized $2,000,000 **To be issued $1,500,000**

Coupon bonds in denominations of $1,000, $500 and $100, registerable only as to principal. Interest payable May 1 and November 1, without deduction of 2% Normal Federal Income tax. Pennsylvania Four Mills State Tax, Connecticut Four Mills State Tax, Massachusetts Income Tax up to 6% refunded to resident holders Redeemable at the Company's option as a whole or in part, on any interest date, upon sixty days' notice, at 107½ for the first five years, at 105 for the next ten years, and at 102½ thereafter.

The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Trustee

From a letter addressed to us by Mr. C. T. Elliott, Vice-Pres., Advance Bag & Paper Co., Inc., we summarize as follows:

SECURITY

These bonds will be secured by a first mortgage on all the property, machinery, equipment, timber lands, water rights, etc., of the company now owned or hereafter acquired and by the deposit of all the capital stock of the Penobscot Power Company. Day & Zimmermann, Inc., Engineers, have valued the physical property of the Company at a total depreciated value of $4,530,969 and the Company's balance sheet as prepared by Messrs. Ernst & Ernst, after giving effect to this financing, shows net quick assets of $1,144,308.79 (after deducting all current liabilities), or a total of $5,675,278, or assets of more than $3,780 for each $1,000 bond.

PROPERTIES

A hydro-electric plant having a capacity of 2,500 H. P.

All the capital stock of the Penobscot Power Co., a hydro-electric plant of 6,000 H. P. capacity with 3,000 H. P. now installed.

A pulp and paper mill with a daily capacity of 110 tons of sulphite and sulphate pulp and 70 tons of paper.

Two bag factories having a capacity of 8,000,000 bags per day.

17,000 acres of timber lands, dams, water rights, timber rights, etc.

HYDRO-ELECTRIC PLANTS

The company's two hydro-electric plants receive the benefit from a total storage of 62,000,000 cubic feet of water. Day & Zimmermann, Inc., estimate that were all the power from these plants sold to available customers other than the company at 1¼c. per K. W. H., the net income would pay all bond interest and amortize all bonds without recourse to any of the company's other activities or resources.

HISTORY AND MANAGEMENT

The company was incorporated in 1901 as the Advance Bag Co., with a bag plant at Middletown, Ohio, and has never shown an operating loss in any one year since that time. In 1921 it was merged with the Howland Pulp & Paper Company at Howland, Me., as the Advance Bag & Paper Co., now the third largest bag company in the United States. During 1921 and half of 1922, the Howland plants were reconstructed and enlarged to specialize in kraft paper, and a bag factory added. The officials of the company are practical men and have been responsible for its continuous profitable operation for many years.

PRODUCT

The company specializes in a strong kraft paper bag used principally by retail merchants and distributed nationally through some 4,500 jobbers throughout the United States.

EARNINGS

The net earnings from the Middletown plant alone for the five years and seven months ending July 31, 1922, after depreciation, but before Federal taxes, were at the average rate of $252,142 per annum, or over two and one-quarter times (and never less than one and one-half times) the interest requirements on this issue had the bonds then been outstanding. For the five months ending December 31, 1922, the combined net earnings after the completion of the Howland plant after depreciation, but before Federal taxes, were $225,224.91, or at the rate of five and one-eighth times the interest requirements on these bonds.

Since the company has obtained an adequate supply of power at low cost from the Penobscot Power Company, its earnings have materially increased.

CAPITALIZATION

	Outstanding
First Mortgage 7% Convertible Gold Bonds	$1,500,000
8% Prior Lien Stock	1,055,700
7% Cumulative Participating Preferred	938,800
Common	1,670,000

PURPOSE OF ISSUE

To acquire the entire capital stock of the Penobscot Power Company, to reimburse the company for additions to Howland Plants and retirement of funded debt.

SINKING FUND

A minimum of $75,000 annually will pay off all bonds at or before maturity. An amount equal to any dividends in excess of 8% on the company's stocks must also be added to the Sinking Fund.

CONVERSION

Bonds may be converted into common stock at the rate of $125 per share until May 1, 1928.

RESTRICTION

The issue is surrounded by the usual safeguards as to dividends and asset position. Additional bonds may be issued for only 50% of cost of new additions or extensions when earnings are twice interest on all bonds issued and to be issued.

We offer these bonds subject to approval of our attorney for delivery if, when and as issued.

Price 100 and Interest to Yield 7%

The properties have been appraised for the Company by the American Appraisal Company, for the Bankers by Day & Zimmermann, Inc., Engineers. The Accounts have been audited by J. Ben Hart, C. P. A., for the Company, and by Ernst & Ernst for the Bankers. Legalities have been approved for the Company by John N. Harvey, Esq., Brattleboro, Vt., and for the Bankers by Messrs. Saul, Ewing, Remick & Saul, Philadelphia.

SCHIBENER, BOENNING & CO.

1615 Walnut Street, Philadelphia

MEMBERS PHILADELPHIA STOCK EXCHANGE

BELL, LOCUST 7460
KEYSTONE, RACE 3266

Investment Bonds

The information contained in this advertisement, while not guaranteed, has been procured from sources we deem reliable.

New York Stock Exchange

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-1922 High	Post-War Period 1919-1922 Low	1923 High	1923 Low	Last Sale May 2	Div'd $ per Share
RAILS:										
Atchison	125⅛	90¾	111⅛	75	108⅛	81⅜	105⅜	100	101	6
Do. Pfd.	106⅜	96	102½	75	85½	73	98⅜	87½	87⅝	5
Atlantic Coast Line	148½	102½	126	79⅛	124⅞	77	127	110¾	114	7
Baltimore & Ohio	122¼	90⅛	96	88¼	60¼	27½	56½	40⅝	49	..
Do. Pfd.	96	77⅜	80	48¼	66¼	35½	60⅞	57	57	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	160	140¼	151½	10
Chesapeake & Ohio	92	51⅜	71	35⅜	79	46	76⅛	65½	66	4
Ches. & Ohio Pfd.	..	..	..	..	105⅜	100⅛	104⅞	101⅜	101⅜	6½
C. M. & St. Paul	165⅝	96⅜	107⅝	35	52¼	16½	26⅜	20½	21¼	..
Do. Pfd.	181	130½	143	62½	76	29	45½	32½	38	..
Chicago & Northwestern	198½	123	136⅞	85	105	59	88	77	77⅝	5
Chicago, R. I. & Pacific	..	..	45⅜	16	50	22⅜	37⅞	29¼	30	..
Do. 7% Pfd.	..	..	94⅜	44	105	64	95	85	87⅝	7
Do. 6% Pfd.	..	..	80	35¼	93⅜	54	85	77	77	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	124½	103	110½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	130½	116¾	117½	8½
Erie	61¼	33½	59½	18¾	21⅜	7	13½	10½	10¾	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	20⅝	15	17⅝	..
Do. 2nd Pfd.	39⅛	19½	45⅜	13⅛	23¾	7⅛	15	11⅛	‡11¼	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	80	72½	72¾	5
Illinois Central	162⅛	102¾	115	85¾	115¾	80⅞	117½	110	111⅞	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	24⅞	18½	20⅝	..
Do. Pfd.	75½	56	65½	40	59½	40	56	52⅞	‡52	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¾	71⅜	61½	62½	3½
Louisville & Nashville	170	121	141⅞	103	144⅞	94	155	130	140	7
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¼	17	12⅛	12⅜	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	45½	35⅜	35	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	19⅜	15	15⅝	..
Do. Pfd.	..	..	64⅞	37½	63¼	33⅛	49	39⅛	39	..
N. Y. Central	147¾	90⅜	114¼	62½	101⅛	64⅛	100¼	91¼	92¾	5
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¾	78½	74½	‡78	5
N. Y., N. H. & Hartford	174¾	65⅛	89	21½	40⅞	12	22½	16½	18⅛	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	30½	16	21⅛	17⅞	‡17½	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	125⅛	84¼	117⅛	107½	108¼	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	81½	72	73½	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	47⅜	44½	44[illegible]	3
Pere Marquette	*36½	*15	38⅛	9½	40⅝	12⅛	42⅝	36	39⅜	..
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	42	33⅞	41½	..
Reading	89⅝	59	115½	60⅛	108	60¾	81⅛	74	74⅞	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	50	‡49	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33⅛	56¼	51⅞	51	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	27	21	22¾	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	36⅜	28¾	30	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	95¼	87	89	6
Southern Ry	34	18	36¾	12½	33¼	17⅛	35½	24¾	31¾	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	70⅞	64¾	66	5
Texas Pacific	40½	10¼	29½	6½	70½	14	29½	19¾	22¼	..
Union Pacific	219	137¼	164⅜	101¼	154¼	110	144⅞	135⅛	135¾	10
Do. Pfd.	118½	79¾	86	69	80	61¼	76¼	71¼	‡72	4
Wabash	*27⅞	*2	17½	7	14⅜	6	11½	8¼	9¼	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	34⅛	23¼	28⅞	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	21½	16½	‡19½	..
Western Maryland	*56	*40	23	9¼	17¼	8¼	15	10½	10½	..
Western Pacific	..	..	25⅛	11	40	13¾	20¼	15	15½	..
Do. Pfd.	..	..	64	35	78	51½	63⅛	56½	‡54	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¾	6	10⅝	8	8	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	64	22	82	68	71	4
Allied Chem.	..	..	..	..	91¼	34	80	69½	70⅝	4
Do. Pfd.	..	..	..	..	115½	83	112	109	110	7
Allis Chalmers	10	7⅛	49⅛	6	59⅜	26½	51¼	43	‡44½	4
Do. Pfd.	43	40	92	82½	104	67½	97½	94½	‡91	7
Am. Agr. Chem.	63⅜	33½	106	47¾	113¾	26½	36⅞	24	26	..
Do. Pfd.	105	90	103½	89⅛	108	51	68⅞	45½	48½	..
Am. Beet Sugar	77	19¾	108½	19	103¼	24½	49½	36	41	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	60	37	42⅝	..
Am. Can	47⅜	6⅞	68½	19¼	76½	21¾	106	73½	91⅜	5
Do. Pfd.	129¼	98	114½	80	113⅞	72	115	107	107	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	189	172½	173¼	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	125⅞	119¼	‡119¼	7
Am. Cotton Oil	79¼	33½	64	21	67½	14¾	20¼	10½	12	..
Do. Pfd.	107½	91	102¼	78	93	33½	38¼	22	23½	..
Amer. Express	300	94¾	140½	77½	175	76	143¼	115¼	115¼	8
Am. Hide & L.	10	3	22⅛	2½	43⅛	5	13¾	10⅛	‡10⅛	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	74¾	55	55	..
Am. Ice	..	..	49	8⅞	122	37	111½	98½	100	7
Am. International	..	..	62⅛	12	132¼	21¼	33⅜	24⅜	25½	..
Am. Linseed	20	6⅞	47⅛	20	95	17¾	38	23	29	..
Am. Loco.	74¾	19	98¼	46⅜	136¾	58	139⅜	120⅛	130¾	6
Do. Pfd.	122	75	109	93	122¼	96½	122	115⅛	115⅛	7
Am. Safety Razor	..	..	..	..	22	3½	9⅛	6⅞	7¼	.25
Am. Ship & Com.	..	..	..	..	47½	4⅜	21⅛	14	15	..
Am. Smelt. & Ref.	105⅛	56⅛	123¾	50¾	89¾	29⅝	69½	53	60⅜	..
Do. Pfd.	116¾	98¾	118⅛	97	109⅜	63¾	102⅛	97¾	98	7
Am. Steel Fdys.	74½	24½	95	44	50	18	40⅞	35½	38	3
Do. Pfd.	..	..	..	..	107	78	105¼	101¾	‡100	7
Am. Sugar	136⅛	99⅞	126⅛	89½	148⅜	47⅛	85	76	78	..
Do. Pfd.	123½	110	123½	106	119	67½	108¾	105⅞	‡105½	7
Am. Sumatra Tob.	..	..	145¾	15	120½	23¼	36⅛	24¼	‡27⅛	..
Do. Pfd.	..	..	103	75	105	52¼	65¾	55⅛	‡55	..
Am. Tel. & Tel.	158⅜	101	134½	90⅜	128¼	92⅛	125½	121¼	122½	9
Am. Tobacco	*530	209	256	123	314½	104⅛	161⅛	150	150½	12
Do. B	..	..	..	..	210	100⅛	159¾	148	149¾	12
Am. Woolen	40⅜	15	60⅞	12	169½	55½	109⅝	93¾	94⅞	7
Do. Pfd.	107⅜	74	102	72½	111¼	88½	111⅞	103½	104⅜	7
Anaconda	54⅜	27½	105¾	24¼	77⅞	30	53½	45⅛	47	3
Associated Dry Goods	..	..	28	10	68¾	48	80	62¼	74⅞	4
do 1st Pfd.	..	..	75	50½	86	49⅞	89	83	84½	6
do 2nd Pfd.	..	..	49½	35	91½	38	93½	88⅛	91¼	7
At. Gulf & W. I.	13	5	147¾	4½	102⅝	18	34	18⅛	22⅛	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	27	14⅞	17½	..
Baldwin Loco.	60⅜	36½	154½	26⅜	156¼	62⅛	144⅛	129¼	133¾	7
Do. Pfd.	107½	100¼	114	90	118	92	116¾	111	‡112	7
Bethle. Steel B	*51⅜	*18¾	155½	59¾	112	41½	70	59½	61⅜	5
Do. 7% Pfd.	80	47	186	63	108	87	97⅛	93⅛	‡93	7
Do. 8% Pfd.	..	..	110½	93⅜	116¾	90	111¾	107⅛	‡108½	8
Burns Bros. A	48	41	161⅛	50	167	76	144¾	136⅛	136⅛	10
Do. B	..	..	..	..	84	27	48	86⅛	86½	2
Calif. Packing	..	—	80	80	87⅛	65¾	87	79⅛	84¾	6

Price Range of Active Stocks

	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1922 High	Low	1923 High	Low	Last Sale May 2	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro.	72½	16	42¾	8	71⅞	15⅜	104⅛	66¼	91⅛	7
Calif. Petro. Pfd.	95½	45	81	29½	98½	63..	110	94¾	100¼	7
Central Leather	51¾	16½	123	25⅞	116½	22⅛	40½	31½	31⅜	..
Do. Pfd.	111	80	117½	94⅞	114	57⅛	79¾	66⅞	72¾	..
Cerro de Pasco	..	..	55	25	67½	23	50½	42¼	44½	4
Chandler Mot.	..	..	109⅞	56	141¼	38¾	76	61⅞	64⅜	6
Chile Copper	..	..	29¾	11¼	29¾	7¼	30⅜	26⅛	27	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	16⅜	31⅞	24⅜	25⅜	..
Coca Cola	..	..	..	..	82⅜	18	81	72⅛	75	6½
Colum. Gas & E.	..	..	54⅛	14¾	114⅞	39¼	114	103⅞	105	7.80
Columbia Graph.	..	..	*166	*97	75⅛	1¼	2⅞	1½	1⅜	..
Consol. Cigar	..	..	..	..	80	13½	39⅛	23⅛	30	..
Con. Gas	*165¾	*114½	*150½	*112½	*145¾	*71⅜	69⅛	60	66¼	5
Corn Prod.	26½	7⅜	50½	7	134¾	46	139¼	122¾	129¾	6
Do. Pfd.	98½	61	113½	58⅛	122¾	96	120⅛	118¼	117	7
Crucible Steel	19⅜	6½	109⅞	12¼	278½	49	84½	67½	73½	..
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅛	20	12⅛	15⅛	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	37⅜	23½	33½	..
Endicott-Johnson	..	..	..	..	150	44	94¼	69⅛	70	5
Do. Pfd.	..	..	..	..	119	84	118	112	111	7
Famous Players	..	..	..	..	123	40	93	80	82½	8
Do. Pfd.	..	..	..	..	107⅜	66	99¾	91⅛	‡91¾	8
Freeport Tex.	..	..	70½	25⅜	64⅜	9½	22	15⅛	15⅞	..
Gen'l Asphalt	42⅞	15½	39⅜	14⅞	160	32½	54	40½	41½	..
Gen'l Electric	188½	129⅜	187¼	118	190	109½	190⅛	172	85¾	8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	17½	13¼	16¼	1.20
Do. 6% Pfd.	..	..	89½	72¾	95	63	89	83¾	‡86¾	6
Do. 6% Deb.	..	..	..	..	94¾	60	90	83⅛	86¾	6
Do. 7% Deb.	..	..	..	..	100	69	105	96⅜	102½	7
Goodrich	86½	15½	80¼	19⅜	93⅜	26⅜	41⅛	34	34	..
Do. Pfd.	109¾	73⅛	116¾	79⅞	109½	62½	92½	84	89⅞	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	36	30	30½	2
Houston Oil	25½	8¼	86	10	116½	40½	78	55	55	..
Hudson Motors	..	..	..	..	26¾	19½	32¾	25¾	27⅛	2
Hupp Motors	..	..	11¾	2½	26⅛	4⅜	29½	22¼	25⅛	1
Inspiration	21⅜	13⅞	74¾	14¼	68⅞	28	43¾	33	36¼	2
Inter. Mer. Marine	9	2⅛	50⅞	⅜	67¾	7⅛	11⅝	8½	8⅝	..
Do. Pfd.	27⅜	12½	125⅝	8	128½	36	47	34	33⅛	3
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	16¼	13⅝	13⅝	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¼	58⅝	42½	45	..
Invincible Oil	..	..	..	..	47¼	5½	19¼	14	14⅛	..
Kelly Springfield	..	..	85⅜	36⅞	164	25½	62⅛	46½	53⅝	..
Do. 8% Pfd.	..	..	101	72	110¼	70¼	108	102	‡100	8
Kennecott	..	..	64¼	25	43	14⅛	45	35	38	3
Keystone Tire	..	..	46½	11	126¾	4¾	11⅛	7⅝	7¾	..
Lackawanna Steel	55½	28	107	28½	107¾	32	..	..	..	..
Lima Locomotive	..	..	..	..	65⅛	52	74⅞	58⅛	67½	4
Loews, Inc.	..	..	..	..	38⅜	10	21¼	17	17⅞	..
Loft, Inc.	..	..	..	..	28	7¾	11¾	8	8	..
Mexican Pet.	90½	41¾	129⅜	46½	322	84½	293	265	‡250	16
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	30½	26¾	27¾	2
Middle States Oil	..	..	..	..	71¾	10	12¼	11	11⅛	1.20
Midvale Steel	..	..	98½	89½	62¼	22	33⅛	27	30½	..
Nat'l Lead	91	42½	74⅝	44	129¼	63½	136¼	124	125½	8
N. Y. Air Brake	98	45	136	55⅞	145¾	45⅛	51½	46	49½	4
N. Y. Dock	40¼	8	27	9¼	70¾	16¼	26½	21¼	‡22	..
North American	*87⅞	*60	*81	*38¾	100¾	32¼	24¼	21⅛	22	2
Do. Pfd.	..	..	..	..	47⅛	31⅞	48½	44½	44¾	3
Pacific Oil	..	..	..	..	69⅜	27½	48⅞	37⅝	38¼	3
Pan. Amer. Pet.	..	..	70¾	55	140¼	38⅛	93½	68	70⅝	8
Do. B.	..	..	..	..	111⅜	34⅛	86	65	66½	8
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	50¼	41¼	46	3
Phillips Pet.	..	..	..	..	59¼	16	69⅝	47½	56⅛	2
Pierce Arrow	..	..	65	25	99	9¼	15¼	11⅛	11⅞	..
Do. Pfd.	..	..	109	88	111	18⅞	35⅝	27¾	28¼	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅜	45	67⅞	58	63	4
Pressed Steel Car	56	18½	88½	17¼	113⅜	48	81½	58	‡63⅛	..
Do. Pfd.	115	88½	109⅛	69	106	83	93¾	86	‡80	7
Punta Aleg. Sug.	..	..	81	29	120	24¾	69¼	43	63	..
Pure Oil	..	..	143⅞	21⅞	61⅞	21½	32	25¼	25⅞	2
Ry. Steel Spg.	54½	22¾	78½	19	126¼	67	123	110	‡110	8
Do. Pfd.	113¾	90¼	105½	75	120	92½	121½	115½	‡117¼	7
Ray Cons. Cop.	27½	7½	37	15	27½	10	17¼	13⅛	14⅞	..
Replogle Steel	..	..	..	..	93½	18	31¼	22¾	28	..
Republic I. & S.	49½	15⅜	96	18	145	41⅛	66¼	47	57	..
Do. Pfd.	111⅛	64½	112⅜	72	106¾	74	96⅞	89	‡92½	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	55⅛	42½	48⅛	2.62
Shell T. & T.	..	..	..	..	90¼	30⅞	41¼	34⅛	38	92½
Sinclair Con. Oil	..	..	67⅛	25⅛	64⅜	16½	39⅜	30¼	31⅞	2
Stand. Oil N. J.	*448	*322	*800	*355	*212	38⅜	44¼	36⅞	‡36¾	1
Do. Pfd.	..	..	..	..	120	100⅛	118	116	‡116½	7
Stromberg Carb.	..	..	45⅛	21	118¼	22⅛	94¼	62¼	75	7
Studebaker	49½	15⅜	195	20	151	37⅜	126⅛	112⅛	118⅜	10
Do. Pfd.	98⅛	64½	119½	70	118¼	76	114	112	‡114	7
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	12¾	10⅝	10⅜	..
Texas Co.	144	74½	243	112	57⅜	29	52⅞	46¼	46⅜	3
Tex. Pac. C. & O.	..	..	..	..	195	15¾	24¾	17¼	17½	1
Tobacco Prod.	145	100	82⅜	25	115	45	61½	50⅛	80⅜	..
Transcontl. Oil	..	..	..	..	62⅜	5⅜	14½	8⅜	9	..
United Fruit	208½	128½	178	105	224⅞	95¾	183	152½	168	10
Un. Retail Stores	..	..	..	..	119¼	43½	84⅛	64⅜	79¾	2
U. S. Ind. Alco.	57¼	24	171½	15	167	35¼	73¼	58	60	..
U. S. Rubber	59½	27	80½	44	143⅝	40½	64⅞	55	57	..
Do. Pfd.	123½	98	115¼	91	119½	74	105	99	100¼	8
U. S. Smelt. & R.	59	30⅜	81½	20	78¼	26	43⅛	32¼	32⅜	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	109⅝	102⅞	102¾	5
Do. Pfd.	131	102½	123	102	117½	104	123½	117⅞	118⅛	7
Utah Copper	67½	88	130	48½	97½	41⅛	76½	62½	66⅛	4
Vanadium	..	..	..	..	97	25⅛	44⅜	33⅞	35¼	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	20¼	27	12⅛	18⅞	..
Do. Pfd.	129½	62	115⅜	80	115⅞	57¾	69	38¼	40½	..
Western Union	86¼	56	105½	58⅜	121¼	76	119½	108¾	109⅜	7
Westinghouse Mfg.	45	24¾	74⅞	32	59⅞	38⅞	67⅛	56	56⅛	4
White Motors	..	..	60	30	86	29¼	60⅞	48⅜	52½	4
Willys Overland	*75	*50	*325	15	40¼	4½	8½	6½	7⅛	..
Wilson Co.	..	..	84¼	42	104⅞	27⅛	42¾	31	31¼	..
Woolworth	177⅞	76⅛	151	81⅛	223	100	224½	199½	‡217	8

* Old stock. ‡ Bid price given where no sales made.

ANSWERS TO INQUIRIES

(Continued from page 59)

source and we do not consider it an attractive speculation. A better purchase, in our opinion, would be Tennessee Copper and Chemical, paying $1 per share per annum and selling around 11. Earnings in March are stated to be as good as any previous month in its history and it looks as though the company should have no difficulty in maintaining the present dividend rate, which, at present prices, gives an attractive yield.

JONES BROS. TEA

Expanding Business

The chain store idea has always impressed me favorably and I have made considerable profit in such stocks as F. W. Woolworth and S. S. Kresge. I have been considering the purchase of Jones Bros. Tea Company's stock but before doing so would like to have your opinion of the future possibilities of this company. I am not so much interested in any immediate move as I am in the possibilities of the stock if held for a few years.—S. F., Schenectady, N. Y.

Jones Bros. Tea Company has been steadily expanding its business. At the end of 1922 it had 493 stores in operation as compared with 329 stores in 1917. In March, the company purchased the Progressive Grocery Stores, Inc., operating a chain of 62 stores and doing a gross business of more than three millions and it is the intention of the Jones Bros. to expand this chain to 100 stores in the immediate future and double the annual gross business. In 1922, the company only earned $3.64 on the common stock but these earnings were largely made in the last six months and current earnings are understood to be well in excess of the present dividend rate of $4. The company has an excellent record, having shown a consistent earning power for several years. It has expanded its business without increasing its capitalization. In our opinion the stock is an attractive long-pull holding.

ADVANCE RUMELY

Common Stock Unattractive

While I have done fairly well in selecting stocks in the past year, I have acquired one that has so far turned out to be a lemon and that is Advance Rumely common. I purchased the stock because it was selling at a low price and I thought improvement in the agricultural machinery business might cause an advance. Would you advise retaining the stock or switching into something else with better prospects.—C. F., Gloversville, N. Y.

Advance Rumely for the year ended December 31st, 1922, earned $1.10 a share on the preferred stock which compares with a loss of nearly two million in the previous year. It is true that the outlook for earnings this year is somewhat improved but the improvement is not sufficient to promise very substantial earnings. The farmer is still feeling the effect from the slump in farm prices and is inclined to go very slow. Another unfavorable factor is the entry into the agricultural machinery industry of such large automobile companies as Ford thereby making competition very keen. Advance Rumely is in very good financial condition and there is a good asset value behind the common stock. As improvement in earnings is likely to be very slow, however, we would deem it advisable to dispose of this stock and switch into some other security that has better immediate prospects. A suggestion is International Combustion Engineering, paying $2 a share and selling around 23. This company manufactures automatic stokers and other fuel-saving devices and appears to have a steadily growing business. Earnings at the present time are understood to be running at the rate of $5 per share.

QUAKER OATS

Earnings Made Rapid Comeback

For many years I have held five shares of Quaker Oats common stock. I held it through the slump of 1920 and now that it has recovered over 100 points to 235 I am considering selling out. The stock shows me a large profit and I do not want to see it get away from me as I thought it was going to when the company took a big loss in 1920. What is your opinion?—J. J. H., Chicago, Ill.

Quaker Oats Company for the year ended December 31st, 1922, earned $31.58 a share on the common stock as compared with $13.80 a share the previous year. In 1920 the company reported a deficit after dividends of $8,000,000. This loss being largely represented by inventory depreciation. With the single exception of 1920, the company has an excellent record over a long period of years and there is no reason to suppose it will not continue to do well in the future. However, we do feel that at present levels of 235 the stock is no longer a bargain and that you could, to advantage, take profit around these levels and switch into some other security that has not gone up so much and which has a good outlook. A suggestion is American Woolen paying 7% and selling around 93. This company is booked up for months at capacity and should be able to earn its dividend several times over in 1923. Total capitalization of the company is $90,000,000 and working capital alone is $80,000,000, so that it can readily be seen there is a big asset value behind the common stock as the plants of the company, on a conservative basis, are worth at least $50,000,000.

STEEL & TUBE COMPANY

Proposed Merger Held Up

When the terms of the proposed merger between Steel and Tube Company of America, Youngstown Steel & Tube and Briar Hill were announced, I purchased some of the Steel & Tube Company's preferred stock at 103 as the terms of the merger provided for its redemption at 110. There has been a hitch in the merger, however, and I would like to have your opinion as to the advisability of continuing to hold the stock.—A. M. W., St. Paul, Minn.

Allied Chemical Dye Corporation obtained an injunction which held up the sale of the Steel & Tube Company's property until minority stockholders are given the opportunity to adduce "proof which is of a character sufficiently strong to permit them to sustain their contention." This

matter may, therefore, drag along in the Court for some time, thus holding up the proposed merger. However, in Steel & Tube Company preferred stock you have, in our opinion, a good business man's investment. For the year ended December 31st, 1922, the company only earned $2.80 a share on the preferred stock, but in view of the favorable conditions existing in the steel industry at this time there is no question that the preferred dividend will be earned with a fair margin to spare in the current year. There is a very fair chance, in our opinion, of this merger ultimately going through and the stock being retired at 110. In view of this possibility and the reasonable safety of the dividend under present conditions, we consider it all right for you to retain the stock.

HUPP MOTOR

Sales Increase 88 Per Cent

I have heard reports that Hupp Motors is now doing a record business and thought of purchasing some of the stock. I see, however, that it is only paying $1 per share per annum, which does not make the present price look very attractive unless dividends are to be substantially increased in the near future. What is your opinion of the stock at this time?—H. F. P., Baltimore, Md.

It is true that Hupp Motor Car Company is doing a record business at this time. For the quarter ended March 31st, 1923, sales show an increase of 88% over the corresponding quarter in 1922. The company reports a large volume of orders on its books which apparently assures a high rate of operations for some months to come. For the year ended December 31st, 1922, the company earned $7.13 a share on the common stock. For a stock selling at 27 a dividend rate of $1 is decidedly small, but, from the earnings of the company reported in 1922 and the outlook for this year, it is natural to assume that more liberal dividend payments are in prospect. The company has been conservative in its payments in order to build up a stronger financial condition. With business on as large a scale as at present the company is obliged to carry a heavy inventory and can use its surplus funds to advantage at this time. The stock does not appear to be over-valued, but we do not advise a purchase at this time as, in our opinion, general market conditions are not favorable and, by holding off, we believe the opportunity will be presented to acquire the stock in a somewhat lower price range.

PALMOLIVE COMPANY

Good Business Man's Stock

I have owned some Palmolive stock for a long time. Would you advise me to sell it? I can get a good price for it and I would like to know if it would not be well to go into something else.—J. E. V., Detroit, Mich.

Palmolive Company stock is a very good holding. The company is very aggressively and capably managed and has been liberal in its dividend record, the present rate being 12% on the common, with extras. During the last two years, 14% a year has been disbursed to shareholders. There is outstanding $2,892,241 7% preferred and $2,476,477 common. It is true the stock is selling at a high price, but the company's balance at the end of

last year showed working capital of nearly $6,000,000, or more than the entire capitalization, and, in view of the continued progress being made, eventually something better than present dividend payments may be anticipated justifying holding the stock. However, if you desire to take your profit, we would recommend American Tobacco, selling at around 150 and paying 12% per annum. This company is a leading factor in the tobacco industry. In our opinion, its shares are underrated in the present market and have good speculative possibilities of selling at higher levels.

UNION BAG & PAPER CO.

An Attractive Speculation

I have some Union Bag & Paper Co. stock and I have been wondering if I ought to sell it, as I notice stocks are going down. Will you let me have your opinion, and oblige.—G. L. M., Troy, N. Y.

Union Bag & Paper Co. has outstanding a funded debt of $6,500,000 and $14,977,850 capital stock, on which it is paying dividends of $6 per annum. For the year ended December 31, 1922, the dividend was barely covered, earnings being equivalent to $6.29 a share on the stock. However, the company is in good financial condition. Balance sheet at the end of the year showed working capital of almost $5,000,000. It is also in a strong trade position and with the higher trend of paper prices we see no reason to sell the stock at this time.

REYNOLDS SPRING COMPANY

Stock Highly Speculative

During April I bought Reynolds Spring at 29½. Subsequently it declined. When I made this purchase I was informed that earnings were at the rate of $8 to $10 a share. Earnings for the first quarter have been at the rate of $2 a share for the year. In view of this comparatively poor showing, do you advise that I hold my stock?—W. R. C., Detroit, Mich.

During 1919, 1920 and 1921 the Reynolds Spring Company averaged about 50 cents per annum earned on its present common, and in 1922 the common earned about $1.75. Earnings for this year as reflected by the financial statement for the first quarter, are running at the rate of approximately $2.00 per share after taxes, depreciation and preferred stock dividends.

The book value is silghtly under $10 per share, but the financial condition of the company is excellent due to the subscription by stockholders to 73,500 shares at $12 on March 16, 1923. The company's main plant has been running at capacity production, and its business is largely dependent on the automobile industry.

It would seem that with this comparatively low book value and low earning power, that the stock is selling too high at its present level. It is doubtful whether the company can pay dividends which would merit this price. There are 147,000 shares Reynolds common now outstanding as a result of the above subscription by stockholders to 73,500 shares. The stock is highly speculative as evidenced by the fact that last June the old shares sold at $51 and reacted to $12 during the next four months. Its speculative value is based purely on manipulation rather than intrinsic merit.

TRADE TENDENCIES

(Continued from page 57)

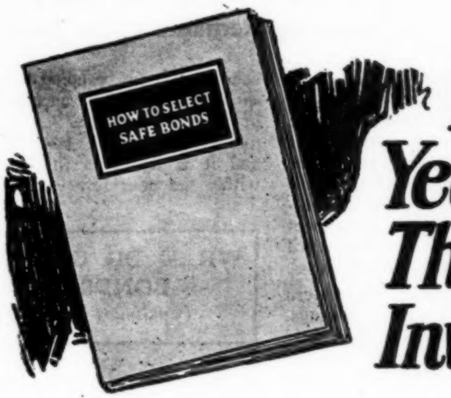
from the top with indications of reaching an even lower point. Refined sugar prices, of course, have declined proportionately.

Conclusion

Disregarding legal action against the sugar "barons" it is obvious that the buyers strike recently inaugurated is likely to have an unfavorable effect for the time being at least on the sugar market. On the earnings side, however, prices are not likely to decline to a point to make operation unprofitable. In fact, as most of the producers have already sold from one half to two thirds of their crop at high prices, it is obvious that they have already salted away a good part of the gain. The Government's action is therefore—as usual—likely to be without avail so far as the actual price situation is concerned.

Most of the large Cuban producers, however, should report excellent earnings for the season and the refiners are in an equally good position.

(Please turn to page 94)



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Current Bond Offerings

Smaller Volume of Offerings—Considerable Amount of Financing Remains to Be Done

OUTSIDE of the Federal Land Bank issue of $75,000,000, new offerings were very small. If this issue were not included, the total amount offered in the past two weeks would have been one of the smallest for any similar period since the beginning of 1922. Undoubtedly, the uncertainty prevailing in all the investment markets had something to do with regard to limiting the amount of new bond issues.

Among the municipal issues, there were few even comparatively large offerings. Most of the flotations were for a half million or less. Offered yields approximated those of the past few months, the average being on about a 4.50% basis.

Industrial Issues

The two largest industrial issues were the 10 millions of American Smelting & Refining 6s offered to yield about 6%, and the General Petroleum 6s offered to yield 6.60%. The Federal Sugar Refining Company put out a 5 million-dollar issue to yield 6¼%. The Illinois Central offered approximately 14 millions in equipment trusts at a price to yield 5.15%. There were no utility offerings in the week ended April 28, and no foreign issues.

NEW BOND OFFERINGS

	Amount	Off'd Yield (%)
STATE AND MUNICIPAL		
Sumter Co., S. Carol'a	$500,000	4.70-4.75
Scott Co., Iowa	550,000	4.25-4.50
City of Seattle, Ore.	2,520,000	5.00
City of Chattanooga, Tenn.	500,00	4.50
City of Buffalo, N. Y.	1,700,000	3.90
Prov. of Nova Scotia	2,500,000	5.00
RAILROAD		
Ill. Cent. R. R. Co.	$14,003,000	5.15
INDUSTRIAL		
Gen. Petr. Corp.	$10,000,000	6.60
North Am. Car Co.	700,000	6.00-6.15
Middle W. Pr. Co.	3,850,000	6.75
Am. Sm. & Ref. Co.	10,000,000	6.00
Fed. Sugar Ref. Co.	5,000,000	6.25
FARM LOANS		
Colorado - Wyoming Jt. Stk. Land Bk.	$1,000,000	4.68-5.00
Federal Land Bk.	75,000,000	4.50

A Period of Quiet

The new bond market is evidently in a state of suspense with a number of issues being held up pending clarification of some of the present uncertainties in most of the old markets. A great deal of financing, however, remains to be done and it is doubtless that this will occur within the next few weeks.

WHAT DO CONVERTIBLE BONDS OFFER?

(*Continued from page* 45)

likely, then, the common stock will have advanced materially in price—perhaps more than doubled to, say, $170 per share. Remembering that the convertible feature of our bonds was exercisable at 105, it develops that the advance in the stock will be shared by the bond, solely because of the "call privilege" it offers.

A Note of Caution

There is something in the study of physics, I believe, which comes under some such heading as "The Law of Compensation" and which tells us that the natural world is always tending toward perfect balance—that excesses in one field will always be offset by deficiencies elsewhere. There is a similar law in the world of finance, where investments that are attractive in some respects are always equally unattractive in others. The chief provision of the Law of Investment Compensation is this: The greater the income return or speculative potentiality of an investment security, the less safety it will offer.

Investors who are considering the purchase of convertible bonds might well bear this law in mind. It is true that they offer unusual speculative possibilities; but it is equally true that they offer a commensurate amount of risk.

(*To be continued*)

RECORD TRAFFIC SAVES RAILROADS

(*Continued from page* 23)

April established new high records and, with a good crop season ahead and advance orders on books of leading industrial concerns large, it is quite likely that the present record traffic will hold up well into the fall. The current year is certain to be a very prosperous one for the majority of roads and many of these issues are selling at prices that are far from discounting the present and prospective situation. General business conditions bear close watching, however, as there are many weak spots in the railroad situation which are now being covered up by an unprecedented volume of traffic.

THE BANKING SITUATION

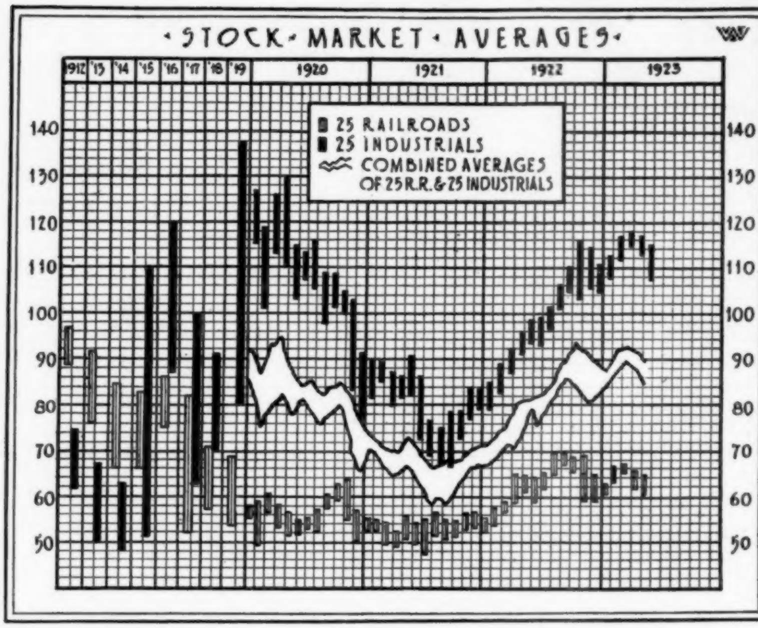
(*Continued from page 56*)

discount, or for the use of individuals who want to borrow in order to carry on business. It also indicates, however, that the mere total available lending power of banks, as indicated by their reserve position, is not a good guide to the amount of credit that can safely or wisely be granted to them; or be used by them in making loans to customers.

The real test is now found in market conditions, and especially in production and prices as governing these market conditions. This point of view is being better realized by bankers all over the country, the result being to produce a much more careful scrutiny of the outlook than at any time heretofore. The process of reducing investments by selling them has been continued of late with the result that an equivalent amount of rediscount demand which might have been felt by reserve banks has been "sidetracked." This in itself has had an important effect upon the bond market, tending to hold prices down. The advice issued by the Council of the American Bankers Association in the statement recently issued after its spring meeting will also undoubtedly tend to prevent banks from seeking heavy rediscounts or from lending overfreely in aid of obviously speculative undertakings which at another time they might regard with favor.

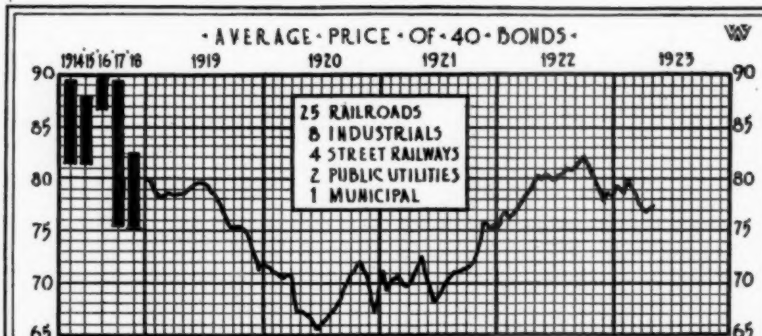
IMPORTANT DIVIDEND ANNOUNCEMENTS

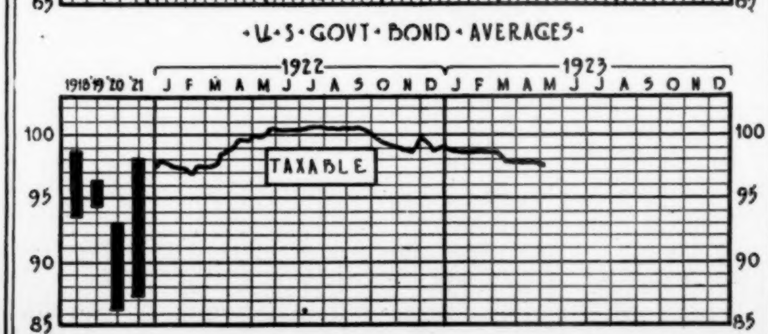
Ann. Rate		Am't Declared		Stock Record	Payable
$5	Amer Can com.....	$1.25	Q	4-20	5-15
$4	Amer Radiator com.	$1.00	Q	6-15	6-30
8%	Amer Shipbldg com	2%	Q	7-15	8- 1
12%	Amer Tobacco com.	3%	Q	5-10	6- 1
12%	Amer Tob com B..	3%	Q	5-10	6- 1
$6	Assoc Drygds 1st pf	$1.50	Q	5- 5	6- 1
$7	Assoc Drygds 2d pf	$1.75	Q	5- 5	6- 1
$6	Atchison com......	$1.50	Q	5- 4	6- 1
$3	Auto Knitter Hos..	75c	Q	5-31	5-15
$5	Bethlehem Stl com.	$1.25	Q	6- 1	7- 2
7%	Beth Stl 7% pfd...	1¾%	Q	6-13	7- 2
8%	Beth Stl 8% pfd..	2%	Q	6-13	7- 2
$8	Brooklyn Edison...	$2.00	Q	5-18	6- 1
$8	Burroughs Add M.	$2.00	Q	6-20	6-30
$6	Cal Packing.......	$1.50	Q	5-31	6-15
7%	Campbell Soup pfd.	1¾%	Q	5-15	6- 1
$6	Cent Ill P S pfd...	$1.50	Q	6-30	7-14
$8	Cent R R of N J..	$2.00	Q	5- 9	5-15
9%	Del & Hudson....	2¼%	Q	5-28	6-20
$2	Fleischmann Co...	50c	Q	6-15	7- 1
7%	Gen Cigar pfd......	1¾%	Q	5-24	6- 1
7%	Gen Cigar deb pfd.	1¾%	Q	6-25	6- 2
$7	Goodrich pfd.......	$1.75	Q	6-21	7- 2
$3	Hayes Wheel.......	75c	Q	5-31	6-15
$3	Household Pdts....	75c	Q	5-15	5-31
$2.50	Inland Steel com...	62½c	Q	5-15	6- 1
$7	Inland Steel pfd...	$1.75	Q	6-15	7- 1
—	Intertype Cor (stk)	10%	—	11- 1	11-15
$1	Intertype Corp com	25c	Q	5- 1	5-15
$7	Inter Harvester pfd	1¾%	Q	5-10	6- 1
$3	Lee Rub & Tire...	75c	Q	5-15	6- 1
$12	Lig & Myers T com	3%	Q	5-15	6- 1
$12	Lig & Myers c B..	3%	Q	5-15	6- 1
7%	Lima Loco pfd....	1¾%	Q	5-15	6- 1
$4	Lima Loco com....	$1.00	Q	5-15	6- 1
6%	Lord & T 1st pfd..	1½%	Q	5-19	6- 1
$3	Martin-Parry	75c	Q	5-15	6- 1
$2	Miami Copper......	50c	Q	5- 1	5-15
—	Motor Pdts........	$2.00	Q	5- 2	5-10
7%	Natl Lead pfd.....	1¾%	Q	5-25	6-15
$7	Norfolk & W com.	$1.75	Q	5-31	6-19
$2	Phillips Pete......	50c	Q	6-15	6-30
—	Phillips Pete (stk).	50%	—	6-15	6-30
—	Phillips Pete extra..	$1	Ext	6-15	6-30
$1	St Joseph Lead....	25c	Q	6- 9	6-20
—	St Joseph Lead....	25c	Ext	6- 9	6-20
$2.50	Stand G & El com	62½c	Q	6-30	7-25
$5	Stand Milling com.	$1.25	Q	5-19	5-31
$6	Stand Milling pfd.	$1.50	Q	5-19	5-31
$7	United Dyewood pf	$1.75	Q	6-15	7- 2



MARKET STATISTICS

	N.Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y. Times 50 Stocks High	N.Y. Times 50 Stocks Low	Sales
Monday, April 23	77.18	100.73	86.47	87.91	86.95	943,750
Tuesday, April 24	77.08	101.08	86.67	88.04	87.49	632,480
Wednesday, April 25	77.10	101.36	86.76	88.48	87.79	667,190
Thursday, April 26	77.14	101.37	86.79	88.40	87.66	645,995
Friday, April 27	77.18	101.16	86.52	88.01	87.52	637,786
Saturday, April 28	77.33	100.63	86.80	87.76	87.38	321,160
Monday, April 30	77.23	98.38	84.86	87.27	85.33	1,113,558
Tuesday, May 1	77.13	97.40	84.91	86.07	84.82	1,426,221
Wednesday, May 2	77.10	98.05	85.29	85.97	84.92	909,700
Thursday, May 3	77.15	96.30	84.22	85.97	84.37	1,089,133
Friday, May 4	77.04	96.60	83.87	84.82	83.14	1,448,145
Saturday, May 5	77.08	96.73	84.01	84.84	84.36	403,060





SWITCHING FROM WEAK TO STRONG STOCKS

(*Continued from page* 33)

very substantial percentage of its earnings.

Cuban American could unquestionably put its stock at this time on a $4 dividend basis but it is rather thought that a conservative policy will be pursued and that the stock will be given a regular $2 rate with extra dividends of 50 cents a quarter while present favorable conditions continue. Despite the contention of the Government that the price of sugar has been unduly inflated, estimates of the crop indicate that there will be about enough sugar to go around but no more and there is unlikely to be an important recession in the price of sugar from present levels for some time to come. **The stock, of course, is not as attractive as it has been around the low levels but still offers a fairly interesting opportunity as a speculation.**

JULIUS KAYSER Julius Kayser has a splendid record over a long period of years. For the past ten years, earnings have averaged about $7 a share on the present outstanding common stock and in the last fiscal year ended August 31st, $10 a share was earned. It was anticipated that the common stock would be on a dividend basis before this but apparently the rapid advance in the price of raw silk has influenced directors to adopt a conservative policy. The company was provided with large inventories at lower levels and undoubtedly is making good profits at the present time. However, it is obliged to purchase raw silk at the present time against future requirements and this undoubtedly ties up a large portion of the company's working capital in view of the high prices and may lay the basis for inventory losses later on.

The management has shown itself highly efficient in the past, having escaped large losses in the depression of 1921 when most silk houses were very badly hit. **The condition in the silk market just described may operate against dividend payments for a while but we believe there is an excellent chance of favorable action within a year's time and with the stock off over ten points from its 1922 high it appears to be a good switch for a stock such as General Asphalt which has very remote dividend possibilities.**

MAXWELL MOTORS Maxwell Motors now has what it sadly lacked in past years, that is, an efficient management. Under the direction of Walter B. Chrysler, Maxwell now has one of the most efficient automobile plants in the country and is turning out a car that has met with favor. Production schedule for this year is 60,000 cars compared with 50,000 cars in 1922 and it is estimated that the $8 dividend to which the class A stock is entitled will be earned several times over.

It is not likely that dividends will be paid on the Class A stock this year as the company has six and a half millions in short term notes maturing in 1923 and 1924 which the management will probably

decide to pay off before starting dividends. Earnings this year, however, should be sufficiently large to enable the company to clean up these notes and open the way for dividends on the Class A stock early in 1924. **Of course, this program is dependent upon the continuance of the prosperity in the automobile industry but the outlook at the present time is sufficiently encouraging to warrant confidence in the Class A stock.**

KELLY SPRINGFIELD Considering the generally unfavorable conditions in the tire industry in 1922 as a result of severe competition and price cutting, Kelly Springfield Tire Company's report showing $6.50 a share earned on its stock was a very favorable exhibit. Kelly Springfield does not issue any quarterly report but it is significant to note that Goodyear in the first three months of 1923 showed a profit equal to that of the entire 1922 year. It is entirely conceivable therefore, that Kelly Springfield may show earnings 100% in excess of 1922. **It is true that sinking fund requirements provide for the retirement of one million dollars of the company's 8% note each year commencing with 1923, but with earnings on so favorable a basis the company can meet these requirements and still make substantial payments to common stockholders.**

MAGMA COPPER Magma Copper has been making many improvements on its property that will materially increase the company's earning power. The company has doubled the capacity of its concentrator from 300 to 600 tons daily, improved a 31-mile railroad from Superior to Magma Junction and is constructing a new smelter at Superior which it is anticipated will be finished about the end of the year. Shipments were resumed April 4th. When all improvements are completed, which will be about the first of next year, Magma will have a capacity of about 25,000,000 pounds of copper a year. As its ore body averages about 5.6% copper and carries considerable silver the company's costs will be low, around 9 cents a pound. With this production and low cost Magma, with copper metal around 17 cents, should be able to show an earning power well over $6 a share although of course, it is not able to show so large an earning power at this time. The company's improvements were financed by a new convertible bond issue so that it is in good financial condition and able to pay out earnings in dividends. Magma has reasonably assured ore reserves of 1,505,000 tons and expert mining opinion is of the belief that further development work will uncover a still larger tonnage. **The stock is one of the more desirable of the copper speculative issues.**

PERE MARQUETTE Pere Marquette appears to be a road that is definitely on the up-grade, earnings having shown a steadily increasing tendency in the past several years. The remarkable growth of the automobile industry has been the most important factor in increasing the road's earnings and the company is apparently

assured a big business from this source for years to come. **Earnings of Pere Marquette at the present time are running in the neighborhood of $8 a share per annum and as the company is in good financial condition dividends appear very close especially as all back dividends on the preferred stock were recently cleared up.**

SPICER MANUFACTURING Spicer Manufacturing only showed 87 cents a share earned on its stock in 1922 but this small amount was largely due to heavy charge-offs for depreciation, inventory adjustments, etc. Since the first quarter of 1922 earnings of Spicer have been showing over a dollar a share quarterly, and in the first quarter of 1923 earnings were at the rate of $5 a share. This is one of the most important of the automobile accesory companies, its universal joints being considered standard equipment. Spicer has $1,200,000 short term notes to pay off in the next two years and preferred stock sinking fund requirements will take another three hundred thousand dollars. **Six months earnings at the current rate would be sufficient to dispose of these items and open the way for dividends on the common stock.**

HOW TO LOSE MONEY IN STOCKS

(*Continued from page* 14)

by their liberal margins, the price of the stocks they deal in, their claims of infallible success in a week, and similar marks.

Reduced to an Exact Science

Having done this, he has merely to wait for the circulars to pour in, and take his pick among them. He should diversify his "investments" (if he will forgive the use of a word that suggests conservative profit-making). A good list of this type would be: National Office Equipment Manufacturers, Inc., at 10 cents a share (claim they will do 99% of the country's business in office equipment before the next appearance of Halley's comet); International Oil Co. (have drilled one dry hole in Mexico, one in Oklahoma, and being now interested in the flotation of new stock to raise funds for a third dry hole in Canada), at 7 cents a share; Interplanetary Radio Co. (plan to establish radio connection with Mars), at 5 cents a share, and Intercosmic Chronometer Co. (organized to manufacture watches that keep Einsteinian time), at 3 cents a share.

The persistent loser can even, with a little care, learn to pick out stocks which will not only show him a market loss but will even compel him to pay heavy assessments.

There is little need, however, of further refinements on our subject — the grand and time-honored art of losing money in stocks. The curious inquirer who wants further information need only have a heart-to-heart talk with a member of any brokerage firm and copy faithfully what he hears about the trading methods of the vast majority of the uninitiated public.

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

	Investment Grade	Asked Price	Yield
Adirondack Power & Light 1st & Ref. 5s, 1950	B..	100	5.00
Adirondack Electric Power 1st 5s, 1962	A..	95	5.30
Alabama Power Co. 1st 5s, 1946	B..	91	5.70
Appalachian Power Co. 1st 5s, 1941	B..	88½	6.10
Appalachian Power Co. 7s, 1936 (Non-Callable)	B..	101	6.90
Ashville Power & Light 5s, 1942	B..	94	5.50
Carolina Power & Light 1st 5s, 1938	B..	93	5.70
Central Maine Power 1st & Gen. Mtge. 7s, Ser. A, 1941	B..	103½	6.65
Colorado Power Co. 1st 5s, 1953	B..	89	5.75
Consumers Power Co. (Mich.) 1st 5s, 1936	B..	95	5.65
Electrical Development of Ontario 5s, 1933	B..	96½	5.50
Great Northern Power Co. 1st 5s, 1935	B..	90	6.10
Great Western Power Co. 5s, 1946	B..	91½	5.65
Hydraulic Power 1st & Imp. 5s, 1951	A..	97	5.20
Indiana Power Co. 7½s, 1941	B..	102½	7.25
Idaho Power Co. 5s, 1947	B..	90	5.75
Laurentide Power Co. 1st 5s, 1946	A..	94	5.45
Madison River Power Co. 1st 5s, 1935	A..	98	5.20
Mississippi River Power 1st 5s, 1951	B..	91	5.65
Nebraska Power Corp. 1st 6s, 1949	B..	101	5.90
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	103	5.50
Penn.-Ohio Power & Light 8% Notes, 1930	B..	104	7.30
Puget Sound Power Co. 1st 5s, 1933	A..	97	5.35
Salmon River Power 1st 5s, 1952	B..	93	5.50
Shawinigan Water & Power 1st 5s, 1934	A..	99	5.10
Southern Sierra Power Co. 1st 6s, 1936	A..	101	5.80
Wisconsin Edison Co. 6s, 1924	A..	101	4.90

GAS AND ELECTRIC COMPANIES

	Investment Grade	Asked Price	Yield
Bronx Gas & Electric 1st 5s, 1960	B..	90	5.65
Burlington Gas & Light 1st 5s, 1955	B..	82	5.30
Buffalo General Electric 1st 5s, 1939	A..	100	5.00
Cleveland Elec. Ill. Co. 5s, 1939	A..	99	5.10
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	71	7.20
Dallas Power & Light 6s, 1949	B..	100	6.00
Denver Gas & Electric 1st 5s, 1949	A..	94	5.40
Evansville Gas & Electric 1st 5s, 1932	B..	95	5.80
Houston Light & Power 1st 5s, 1931	B..	95	5.75
Indianapolis Gas Co. 1st 5s, 1952	B..	88	5.90
Nevada-California Electric 1st 6s, 1946	B..	96	6.30
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	103	7.20
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	96	6.00
Portland Gas & Coke 1st 5s, 1940	B..	91	5.85
Rochester Gas & Electric 7s, Series B, 1946	B..	110	6.00
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	B..	93	5.65
Syracuse Gas Co. 1st 5s, 1946	A..	97	5.60
Tri-City Railway & Light 5s, 1930	B..	93	6.25
Twin State Gas & Electric Ref. 5s, 1953	B..	83	6.35
United Light & Railway 5s, 1932	B..	87½	6.85

TRACTION COMPANIES

	Investment Grade	Asked Price	Yield
Columbus Street Railway 1st 5s, 1932	B..	89	6.65
Detroit United Railway 1st Coll. 8s, 1941	B..	107	7.30
Galveston-Houston Electric Railway 1st 5s, 1954	B..	86	6.00
Kentucky Traction & Terminal 5s, 1951	C..	73	7.20
Knoxville Railway & Light 5s, 1946	C..	81	6.55
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B..	92	6.90
Memphis Street Railway 5s, 1945	C..	78	6.80
Northern Ohio Traction & Light 6s, 1926	B..	97½	6.80
Nashville Railway & Light 5s, 1953	B..	93	5.45
Schenectady Railway Co. 1st 5s, 1946	C..	71	7.70
Topeka Railway & Light Ref. 5s, 1953	B..	86½	6.00

HOLDING COMPANIES

	Investment Grade	Asked Price	Yield
American Lt. & Trac. 6s, 1925 (Without Warrants)	A..	101½	5.65
American Gas & Electric 6s, 2014	B..	95½	6.30
American Power & Light 6s, Series A, 2016	B..	95½	6.30
Federal Light & Traction 1st 5s, 1942	B..	84	6.40
General Gas & Electric s. f. 7s, 1952	B..	100	7.00
General Gas & Electric 1st 5s, 1925	B..	99	5.50
Middle West Utilities 8s, 1940	A..	105	7.40
Standard Gas & Electric 7½s, 1941	B..	104	7.10

TELEPHONE AND TELEGRAPH COMPANIES

	Investment Grade	Asked Price	Yield
Bell. Tel. Co. of Canada 1st 5s, 1925	A..	99	5.70
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95½	5.55
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	93½	5.25
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	97¾	5.30

UTILITY BONDS QUIET BUT FIRM

Trading in Unlisted Issues Light

Attention of readers is called to the revised bond table which accompanies this department. The ratings given are based purely on the investment merits of the bonds in order of their desirability. The lower rating by no means should be construed as a reflection on the bonds in question but refer to the fact that in the estimation of this department they are somewhat less desirable than those marked A and B respectively.

WHILE there has been little doing in the market for unlisted public utility bonds, the tone generally has been firm with a tendency upward from the low prices of the year touched about six weeks ago. The inactivity has made for some cross-currents in the markets and a few bond prices show some slight recessions, but on the whole the market is distinctly better.

Good Earnings

While quotations given indicate lower prices in some cases, many are just nominal and any inquiry of proportions for bonds would probably result in a scarcity with sharp upward movement in prices. One factor in the greater strength of public utility bonds, is the number of earnings statements for first quarter of this year which generally indicate that the average company is showing considerable improvement over a year ago despite mounting tendency of commodity prices. These statements have made investors unwilling to part with bonds at prices several points below those of three months ago, they preferring rather to put them away, being assured meanwhile of a good yield.

Aside from this, examination of the accompanying list shows many attractive yields. One feature of the bond market only recently was the offering of a fair issue at a yield to close to 7%.

Appalachian Power

The 7% bonds of Appalachian Power Co., maturing in 1936, seem to offer an opportunity in the current bond market as combining a high yield with a security of a good company, and at the same time offering an investment which shows about 7% return. In addition, the issue is noncallable. While many other 7% and 8% notes of good companies can be had to show this yield or even better, most of them are callable with the probability that with lower money rates they will be called. In addition, the call privilege automatically acts as a limit for the selling price of these issues in the event that we get into another large upward movement of the bond market. There is only a comparatively small amount of the bonds outstanding, the original issue being $2,500,000. The company is partly a hydroelectric proposition and partly steam generating.

Consumers Power Co. is an instance of a power company which is showing good increases in earning power this year over the corresponding months of last year.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

American Book Co. (6)	85	— 90
American Type Founders (6)	79	— 81
Pfd. (7)	99	—102
Atlas Portland Cement (4)	70	— 74
Babcock & Wilcox (7)	112	—114
Borden Co. (8)	116	—118
Pfd. (6)	103	—105
Bucyrus, pfd. (7)	100	—105
Celluloid Co. (6)	90	— 95
Childs Co. (8)	139	—142
Pfd. (7)	108	—110
Congoleum Co., 1st pfd. (7)	99	—101
Congoleum, com. (8)	215	—220
Crocker Wheeler (2)	40	— 50
Pfd. (7)	85	— 95
Curtiss Aero & M.	8	— 9
Pfd.	35	— 38
Jos. Dixon Crucible (8)	138	—143
Gillette Safety Razor (12P)	†275	—285
Ingersoll Rand (8)	118	—123
New Jersey Zinc (8P)	165	—168
Niles-Bement-Pond	45	— 47
Pfd. (6)	80	— 85
Phelps-Dodge Corp'n (4)	180	—190
Poole Engineering (Maryland):		
Class A w. i.	20	— 26
Class B w. i.	9	— 14
Royal Baking Powder (8)	130	— ..
Pfd. (6)	98	—100
Safety Car H. & L. (6)	88	— 90
Savannah Sugar	50	— 56
Pfd. (7)	79	— 84
Singer Mfg. Co. (7)	116	—118
Thompson Starrett (4)	75	— 85
Victor Talking Mach. (8)	165	—175
Ward Baking Co. (8)	123	—127
Yale & Towne (4)	60	— 64

*Dividend rates in dollars per share designated in parentheses.

†Listed on N. Y. Curb Exchange.

P—Plus Extras.

OVER-THE-COUNTER stocks, particularly those in the table overhead, gave an impressive exhibition of strength during the fortnight, despite the general weakness in listed securities. Several issues, in fact, scored new highs on the current movement, notably:

Congoleum common, which sold as high as 223 during the period, reacted, and recovered to 220, or 20 points above the price quoted here last issue. The quality of the buying in this stock is being commented on in over-the-counter circles.

Borden common, which sold at 118, bearing out the confidence in the issue as an attractive industrial investment expressed frequently in these columns.

Curtiss Aeroplane common and preferred, which developed greater activity, although at only fractionally higher levels. The understanding is strengthening that Curtiss will be able to cover 7% dividends on its new preferred stock from 6 to 7 times over which would evidently justify a higher price for the new stock than the $70 per share figure suggested here some weeks ago, which would, in turn, entitle the old preferred, now quoted around $35, to an equivalent improvement.

Specialists in the aeroplane stocks, while not going to the lengths of using the Macready-Kelly non-stop flight from New York to San Diego as propaganda, nevertheless believe that the success of this flight—wherein a great army monoplane, carrying close to 8,000 pounds weight, travelled some 2,700 miles without stopping at an average speed of 100 miles per hour—may well mark a new era in the aeroplane industry. They contend, credibly enough, that the recognized possibilities of the aeroplane industry have been brought just so much nearer realization by this successful experiment, and that increasing interest in the development of the industry should ensue.

SAVANNAH SUGAR

LAST August, this Department suggested an investigation of the investment possibilities of the common and preferred stocks of the Savannah Sugar Corporation, one of the chief Oxnard sugar enterprises. The preferred, in particular, was classed as "an unusual investment opportunity" at its then offered price of $93 per share, and in regard to the dividend arrears of some 25% existing on the preferred at that time it was said "there seems no little likelihood that arrears will be taken care of in due time."

As of May 1st, the expected discharge of arrears was effected through declaration of a dividend of 25⅔% on the preferred stock, payable in preferred stock at par. More recently, the corporation's balance sheet, as of December 31st, 1922, has been published, comparing in its salient features with previous reports as follows:

	(In Thousands of Dollars)		
Year	Current Assets	Current Liabilities	Working Capital
1918....	$786	$513	$273
1919....	2,388	1,899	389
1920....	2,722	2,411	311
1921....	1,759	1,035	724
1922....	1,693	110	1,583

These balance sheet figures, incidentally, are after giving effect to issue of preferred stock in liquidation of dividend arrears as itemized above. They further show that, during 1922, the company paid

off some $825,000 of bank loans, and that it completed the year with over $800,000 of cash, or more than twice the cash in any of the four previous years.

Savannah Sugar preferred is quoted today at about $80 per share in the over-the-counter market. As the preferred dividend action, as taken, had the effect of increasing holdings by 25% of their value, it may be said that purchasers at the suggested price of 93 now have holdings worth 7 points more at the current price of $80 per share.

Regular dividends at the rate of 7% annually have been resumed on Savannah preferred, and, to yield a little short of 9% at these prices, it appears attractive as a business man's investment.

AMERICAN TYPE FOUNDERS

A PLAN for enlarging the capital stock of the American Typefounders Co., approved at a recent meeting of stockholders, has aroused considerable interest in over-the-counter circles, due to some rather unusual features. Briefly, the plan provides for increasing the authorized preferred stock from 3 millions to 4 millions, and the common from 4 millions to 6 millions (dollars). The $1,000,000 preferred is being offered at par ($100) to common stockholders in the ratio of 4 to 1. The disposition of the additional $2,000,000 common rests with the directors, to either be sold at $100 per share or else distributed as a stock dividend.

As the common stock is now selling at only $80 per share, it seems most unlikely that the additional common will be immediately offered for sale. Furthermore, as the company's surplus at the close of last year was down to 2.6 millions, it seems most unlikely that the additional common would be distributed as a stock dividend.

Those who have followed the fortunes of this company for many years believe that, either the additional common stock will be held back until the close of this year, when the surplus will have been built up to a point more nearly warranting a stock-distribution or else that the company will increase the dividend rate on the common (which it would seem amply able to do), thereby giving it a value that would make a subscription privilege at $100 per share more attractive. Taking the conservative view, the first alternative seems more likely.

American Type Founders has been a favorite with this Department since the Department was inaugurated. The company has a practically unbroken dividend record stretching over the last quarter of a century, during which time there was only one interruption in payments on the common. It made high earnings all through the period of depression in 1921, when most other concerns were struggling with deficits; last year it earned some $16 per share of common, and this year earnings are running at a substantially higher rate. It is interesting to note the progress American Typefounders has made since its organization in respect of broadening out its operations. At the time of organization, in the 90s, typefounding done by the company amounted to about 4,000,000 pounds a year and constituted a round 100% of the company's business. When type-machines came in, the competition had a visible effect on the company's operations, typefounding output dropping to about 1,500,000 pounds a year, although it still constituted practically all of the company's production. In recent years, American Type Founders has scored two achievements: First, it has been able to increase its typefoundry production to 3,200,000 pounds a year (the approximate rate of production today), bringing this department back up to close to the high level it enjoyed in the 90's, before machines came in, and despite the machine competition. Secondly, it has broadened its scope to a point where typefounding is only a little over a quarter of its entire business. The greater part of American Type Founders' production today goes toward printers' supplies, etc.

As stated, the company's operations today are understood to be at a rate which will insure earnings for the year at a figure substantially higher than last year. The new funds obtained through stock sale are apparently to be devoted to plant extension, notably in connection with the the new works at Elizabeth, New Jersey, now in process of construction.

Considering the company's record, its proven earning power and broadened scope, American Type Founders preferred, to yield 7% at these levels, can be recommended with little hesitancy as a very high grade investment issue. The future of the common will be more easily conjectured after decision has been made as to the disposition of the authorized increase in the common. However, no reason appears prompting those who hold the issue to sell it at these levels.

SAFETY CAR HEATING & LIGHTING

THE results of the Safety Car, Heating & Lighting Co. in 1922 have been announced, and compare as follows:

(In Thousands of Dollars)

	Profits	Net	Total Surplus
1917......	$1,124	$758	$3,831
1918......	957	622	3,775
1919......	1,267	723	4,063
1920......	1,453	862	4,334
1921......	1,349	718	4,461
1922......	1,579	798	4,668

Earnings last year were at the rate of $7.98 per share on the capital stock, which consists solely of $10,000,000 stock of par $100, all one class. There is no funded debt. This return compares with $8.75 per share in 1920, $7.34 in 1919, $6.32 in 1918 and $7.59 in 1917.

Municipal Bonds

HIGHER GRADE MUNICIPALS

		Interest Rate	Maturity	Approximate Yield
	Hudson County, N. J.	4	May 1959	4.15
N	Jersey City, N. J. Reg	4½	June 1953	4.20
	Harrisonburg, Va.	5	July 1928	101½
N	Buffalo, N. Y. Reg	4	June 15, 1960	3.90
N	Lansing, Mich.	4½	Jan. 2, 1942-45	4.25
N	California	4	July 3, 1944	4.15
N	Oregon Bonus	4½	Oct. 1931-32	4.35
	Denver, Colo., School District	4½	1945-49	4.25
N	Detroit, Mich.	5½	1937-1948	4.40
	Norfolk, Va.	5½	1951	4.55
N	Oregon	4	A & O 1929-40	4.25
N	St. Paul, Minn.	4	April 1953	4.10
N	State of Alabama	4½	June 1934	4.35
N	Oregon Highway	4½	April 1942-43	4.25
	Toledo, Ohio, School District	4½	Sept. 1943-45	4.25
N	California	4¼	July 1959	4.25
	Federal Farm Loan	4½	Jan. 1953/33	100½
N	San Francisco, Cal.	4½	July 1952-57	4.35
N	North Dakota	5	1934	4.70
N	Massachusetts Reg	3½	July 1935	4.05
	Wilmington, Del.	4½	April 1941	4.25
	Kansas City, Kan.	4½	May 1929	4.50
	Norfolk, Va.	4½	March 15, 1945	100
N	Yonkers, N. Y. Reg	4	April 1930-33	100
N	Duluth, Minn.	4½	1927-43	4.30-4.20
	Superior, Wis.	4½	Sept. 1932	4.30
N	Chicago, Ill.	4	Jan. 1925	4.25
	Canton, Ohio (Water)	6	Oct. 1947	4.50
N	Cleveland, Ohio	5½	March 1952	4.35
N	North Dakota	6	Jan. 1942-47	4.60
N	Bayonne, N. J.	5	Jan. 13, 1944-45	4.25
N	North Carolina Institutional	4½	Jan. 1962	4.37
N	North Carolina	4½	July 1949	4.37
N	South Dakota	5	Jan. 15, 1931	4.50
N	South Carolina	4	Jan. & Feb. 1924	4.30
	Nashville, Tenn.	6	April 1926-27	4.60
N	Boston, Mass. Reg	3½	July 1929	4.15
N	San Antonio, Texas	5	Sept. 1926-27	4.50
N	South Dakota	5½	1936-41	4.60
	Norfolk, Va.	6	Oct. 1950	4.60
N	Saginaw, Mich.	5	May 1926	4.25
N	Cleveland, Ohio	4½	March 1949	4.20
N	Jackson, Mich.	4½	1930-39	4.30
N	Jackson, Mich.	4½	1940-47	4.25
N	Minnesota	5	Feb. 1925	4.30
N	New York State Reg	4	Jan. 1961	104
N	Yonkers	4¼	Feb. 1930	4.05
N	Mt. Vernon Reg	3½	May 1925	4.10
N	Middletown, Conn. (Tax Exempt)	4	June 1929	4.10
N	Minneapolis, Minn. Reg	4	Jan. 1927	4.25
N	West Hoboken, N. J.	6	Jan. 1927	4.50

N—Legal for Savings Banks in New York State.

THE Municipal Bond Market was practically stagnant during the fortnight just ended. New issues were at a minimum, and dealings in current issues were on a comparatively restricted scale. The "trouble" with the market was undoubtedly the general uncertainty as concerns the prospective refunding operation of the United States Government, calling for a half-billion dollar bond issue in connection with maturing of an equivalent amount of Victory notes on the 15th of this month.

After the Government financing has been completed, municipal dealers anticipate an improvement in the market corresponding with the success of the issue. Shelves are not yet exactly bare, but supplies are nevertheless low enough to assure an active interest in new offerings following development of demand. In this connection, it is worthy of note that new offerings of Municipal Bonds during March and April of the current year approximated only $150,000,000, as against some $273,000,000 in 1922.

Demand for High-Grade Issues

The existing demand for Municipals expresses itself largely in inquiries for high-grade bonds tax exempt in New York State. A reflection of this was the ready absorption of a long term Territory of Hawaii issue on a 4.20% basis, tax-free.

Individuals, or groups of individuals, having funds for investment in Municipal issues are advised to consider the list presented above This list, it may be noted, represents a compilation of currently available issues prepared by competent authorities on the Municipal market, and, as indicated, the effort has been to confine it to securities of the better grade, in which funds can be invested with considerable confidence.

There are, of course, a number of factors influencing the investment qualities of all municipal bonds which could hardly be indicated in a list of this sort, so that intending purchasers might do well to make inquiries of competent authorities before deciding upon commitments. Assuming that such inquiries will be made, however, the list should prove a helpful guide. As stated previously, the Municipal Bond Department will be glad to render any service it can in connection with the requirements of bond buyers.

HAS BUSINESS REACHED A PEAK?

(*Continued from page 26*)

spect to foreign trade show a considerable degree of uncertainty. Our balance of trade is now about the same as it was in 1913 just before the opening of the war year. At the same time our dollar value of both exports and imports is considerably larger. These exports and imports are largely of staple commodities, wool and silk figuring to a great extent, as does rubber, and other materials of manufacture, while the export volume is largely occupied with staple foodstuffs, cotton, and other items of similar sorts.

Some manufactured goods have increased in their volume of importation, but on the whole the prospects of our foreign market are not very good under existing conditions of competition and of price levels. This suggests that, in the event of any recession in domestic demand, we should feel the want of a good export outlet quite seriously. As for net losses of gold, there are none as yet in sight, although our shipments of the metal are larger relatively to imports than for a good while past. But the balance is still on our side, and with foreign trade in our favor to a modest extent, there is no reason why we should lose gold in any quantity within the next few months so far as can now be perceived. This means conservation of our technical bank lending power.

The general business situation thus continues highly favorable in volume of production, in strength of demand, and in employment as well as consumptive power. Slight slackening during the most recent weeks apparently betokens the partial satisfaction of demand in some lines, or the fact that the "edge" is, for the moment, off the extreme activity of a month or two ago. The underlying manufacturing condition appears to be strong and healthy, while there is no indication of credit trouble or overstrain. Still, it remains a fact that money is tending higher, fixed rate securities are hesitating, and that conditions for corporate financing are not more favorable than heretofore. Prices have advanced sharply, although in some lines experiencing a certain retardation. The need of reasonable caution and prudence, and the avoidance of overstocking are again emphasized by influential figures in the business world.

Boiling sap to make rubber

WHAT DO ELECTRICAL SHARES OFFER?

(*Continued from page* 38)

policy was changed and instead of paying these dividends in the $100 par stock, they are now paid in what is called special stock, which has a par value of $10, and which is entitled to 6% cumulative dividends. The present dividend thus paid is at the rate of $5 per share a year on each $100 par common stock. In some respects this special 6% stock ranks as a preferred issue and at the present time is outstanding to the amount of $8,717,000. At the time this stock was issued it was stated that one of the reasons for its creation was for the benefit of the small holders of the common stock, as under the old method the issuance of so many fractional shares robbed the small stockholder of the full benefits of a stock dividend. This special 6% stock having a par value of $10 is selling between 11 and 12 upon the New York Stock Exchange, and is an exceptionally good grade investment, particularly desirable for the purchaser of moderate means who values safety above immediate income return.

General Electric common stock, $100 par, is selling in the neighborhood of $175. The cash dividend rate is $8, but the dividend paid in the special 6% stock, which is in addition to the cash rate, brings up materially the return on the common. From time to time there have been rumors that General Electric would either increase the cash dividend rate on the common, declare a stock dividend payable in $100 par common, or would split up share capitilization. All these reports have been denied. Assuming that no plans of that nature are contemplated by the management still it does not seem as if the shares were on an inflated basis when the great asset value and earning power are considered, and when the opportunities under normal conditions for the expansion of electrical sales are included in the reckoning. **The stock is not primarily a stock in which the active day to day trader is interested but it deserves the mature consideration of those who wish to buy a common stock which they can conservatively regard as a more or less permanent possession.**

WESTINGHOUSE ELECTRIC

Reasons for New Financing

AS with General Electric, Westinghouse began to reflect the improvement in business as long ago as last spring. At the close of the fiscal year on March 31, 1922, the company had about 50 million dollars of unfilled orders on the books, the smallest total since the same date in 1917. During April, May and June bookings were at the rate of 120 million dollars a year and by fall had risen to the rate of 150 million dollars a year.

Westinghouse Electric has been one of the pioneers in the radio field and undoubtedly the amateur wireless craze

has added considerable to the volume of business during the past year. Westinghouse owns a substantial interest in the Radio Corporation of America and in addition is a big factor in the manufacture of radio sets.

Earnings and Capital Expansion

As the fiscal year ends on March 31st, the official results of the twelve months ended March 31st, 1923, are not yet available. It is officially estimated, however, that net profits available for dividends in the year amounted to about 12 million dollars, which is equivalent to about 8 dollars a share on the combined preferred and common stocks. Incidentally, these stocks share equally in dividends after 7 per cent has been paid upon the common. There is, however, only 4 million dollars preferred outstanding and almost 71 millions common.

The most interesting current fact concerning Westinghouse is the offer of 14.9 millions additional common stock to shareholders at 53 dollars a share. In announcing this subscription the management said that while there were no present plans for substantial enlargement of plants, it was deemed advisable to increase working capital. Further explanation was made that increase in working capital was felt to be necessary because of the large amount of unfilled orders on hand and the prospect for further increase.

Westinghouse back in the early part of 1917 sold 300 thousand shares of common stock to shareholders and the offering of an equivalent amount at this time brings the total amount of money raised through stockholders during the last six years to approximately 30 million dollars. It is to be noted that the subscription price in the present instance is 53 dollars per share or 3 dollars above par, a premium of 900 thousand dollars on the approximate amount of 300 thousand shares.

At the present time the total capitalization of Westinghouse is about 110 million dollars and it will be about 125 millions when this new stock is issued. In 1916, total capitalization was between 62 and 63 million dollars, but sales billed then, indicating the volume of business, were only about 50 million dollars, whereas, in the year ended March 31, 1923, they must have been close to 120 million dollars. In other words, the proportion of sales, or volume of business, to capitalization does not show any material change and indications are that thus far the expansion in business which made necessary the raising of new capital has fully justified the expansion of capital.

At the close of the last fiscal year the working capital was probably in the neighborhood of 90 million dollars, an increase of 5 millions over the previous year, and in view of the large expansion in business since March, 1922, the need for a greater amount of working capital is rather apparent, not only because of the present volume of business, but because of the outlook for continued large operations.

While public utilities have been big

buyers during the last few months, Westinghouse has developed some substantial foreign orders and is meeting a better demand for power equipment from the textile mills, which is a possible source of large developments, particularly if the textile industry maintains activity at anything like the present rate.

Conclusions

Strictly speaking, Westinghouse has only a small mortgage debt. There is an issue of 6 million dollars first and refunding 6% bonds of 1940. The major bond issue is the 30 million dollar 7% issue due 1931, but this, while a direct obligation, is not secured by a mortgage. Nevertheless, these bonds, which are redeemable beginning May 1, 1926, are a first-class investment risk owing to the ample cover which earning power places above interest requirements.

There is only a small amount of preferred stock outstanding (4 million dollars). Dividends on the issue have been paid for the last thirteen years and it is absolutely good grade issue but very inactive.

The common stock lends its attractions more readily to the person who wishes to buy, for an indefinite ownership, the common stock of a manufacturing company which has in back of it steady earning power rather than to the day-to-day trader who is looking for quick profits. The shares move within a narrow range, as a rule, and recently have been unsettled following the announcement of the additional common stock which will require an extra 1.2 million to cover dividends at the rate of 4 dollars. With the present volume of business on hand and in sight there is no reason to anticipate anything but the continuance of the present $4 rate, even after the additional stock has been issued.

The present market price is between 55 and 60 where the stock represents a conservative purchase but not one in anticipation of substantial speculative profits through large price appreciation.

ACTIVE BANKING POLICY EXPECTED

(*Continued from page* 55)

ing fire and awaiting settlement is that of the rate to be fixed for rediscounting. Such a rate is in controversy, and has been for some time past, there being not a few members of the system who are of the opinion that advances made at present would be of little service owing to the fact that inflation is now so far advanced as to be beyond control. Others still think that an advance ought to be made, no matter whether any direct effects result from it or not, inasmuch as it will serve to put the system on record regarding its views of present conditions, while it will be of at least some assistance in checking the unduly low rates which have at times prevailed in the call loan market and elsewhere, according to the views entertained here. Decision on the matter has been deferred, it is understood,

partly at least owing to the lack of a full membership in the Board at various times, while at others when opinion has been more or less evenly divided, it has been felt that a decision on so important matter ought not to be taken in view of the fact that new appointments shortly to be made must necessarily result in a membership which might be divided in a different way and so might reverse conclusions previously reached on other grounds.

Branch Banking Developments

The Branch banking situtation has been brought nearer to a solution as the result of a step taken by the Comptroller in authorizing the establishment of twelve branches by the Chemical National Bank of New York, this being the largest number authorized at any one time. The Comptroller's office is thus definitely committed simultaneously with the induction of the new head of the system, to the doctrine of branch banking, and the result of the policy will necessarily be that of building up systems of branch banks throughout the country in cities situated within states which are not adverse to the establishment of local branches under state law. How this will be affected by the decision soon, it is supposed, to be rendered by the Supreme Court in the Missouri case which has been appealed to that body is still to be seen, but, of course, it might easily result in two different systems of banking, one permitting the establishment of branches, the other prohibiting it, a condition which would bring about a confused and unsatisfactory state of things. Meantime, however, it seems probable that the branch system will, as matters are now going, obtain a strong foothold in many parts of the country prior to the time when a better basis for shaping the national policy is afforded through the decision which is to be rendered by the Supreme Court.

FROM "JITNEY" TO MOTOR BUS

(*Continued from page* 49)

the purchase of 80 single-deck busses and delivery on these is now being made.

This action of the Pacific Electric Company marks an epoch in the motor transport of passengers. The opportunity exists in practically every community where there is electric service—not only to coordinate bus operation with steel-rail service, but to gradually expand the radius of operation.

Capital Need Not Be Tied Up

The motor bus is such a flexible unit that capital need not be tied up in unprofitable service. The public utility companies know this addition to their operation will enable them to handle sufficient patronage to improve their present investments. By the hand of the electric railway interests the public will secure regularity of service, and responsibility for service. This will then aid in the elimination of the economic losses which result from too many interests attempting to supply service.

The electric company will give better

transportation at less cost. The responsibility and waste will be eliminated. Unnecessary overhead costs will be stopped, better and cleaner equipment will be used, and in every way the public will be benefited by the change from "jitney" operation.

Most important of all, however, is the opportunity for the electric lines to give the country immediate and much-needed relief from the excessive burden and waste due to the present universal use of the individual private motor car for uneconomical transport.

Furthermore, this offers the capitalist in "rail" transport the opportunity to conserve his present investment in transportation and to mine revenue which may be secured by supplying motor service in response to the public demand. Best of all, "pick up at the curb," modern "on rubber" transportation, may thus be supplied to the public at a reasonable cost.

The service demanded does not enter the field of the steam railway as the distances which may be economically covered by motor transport are less than may be economically covered by steam transport at the low long-distance rates which have been established in the steam field.

The electric street-railway interests are logically the local transport group. In the cities they must take up the burden of coordination of bus lines, amalgamation, elimination of competition, standardization of equipment, regulation of rates in operation, cleanliness of equipment and stability of service. Outside the cities, it will be handled by the new transport operators, "the bus men." In many cities coordination between the "city" electric operator and the "country"-bus operator will best serve the interests of the public and prove most economical.

Incidentally, a new era for the manufacturers of motor trucks and buses seems to be at hand. One can readily surmise from the figures given concerning the extension of motor-bus traffic, what the demand for this type of vehicle is likely to be as the years pass.

RAILWAY STEEL SPRING—PRESSED STEEL CAR

(*Continued from page* 39)

Steel Spring's merchandise loomed to no considerable amount, $5,103,068. Steadily bent on avoiding the disastrous results elsewhere occurring, inventories as of December 31, 1922, were but slightly in excess of two million dollars, the smallest since 1915, despite the growth in the amount of sales per year. With no yoke of bank loans and a wise apprecation of business cycles, Railway Steel-Spring's earnings last year more than covered the dividend requirements—best of all, surplus earnings can be utilized for development. They have not been rendered rigid through addition to plant. Aside from the reserve for taxes and dividends, actual current indebtedness is of no consequence, being less than $300,000. Whether or not the management deems it advisable to increase the dividend rate on the common stock, the really important consideration is that only conservativeness, and not necessity,

will determine any consideration involving a decision to delay favorable action.

Conclusion

What of Pressed Steel Car? After two lean years of deficits, that of 1922 being larger than the deficit for the previous year, a turn for the better may be anticipated, particularly in view of the more liberal orders being received by the railroad equipment industry. Without commending the larger amount of raw material now on hand as a general policy, this item may be helpful in a rising commodity market. Interest charges of $300,000 are now a prior charge on earnings through the recent bond issue, but President Hoffstatt in the company's annual report predicted that beginning in March profits would be considerably larger than in 1922. The proverbial "bad news" has been known for so long a time that a sharp break, independent of an unfavorable change in the general market, is hardly logical. **On the other hand, the return of an $8 annual dividend rat is not to be expected in the immediate future and there is little need to climb for the stock at this moment.**

INVESTOR'S VIGILANCE COMMITTEE, INC.
(*Continued from page 62*)

tegrity and a man of wide experience—a man who is a known money maker.

"I pledge you my word and honor that if you join with me as one of the organizers of this company that everything will be handled honestly and as it should be and that every promise made will be carried out—that every possible effort within my power and ability will be made to bring our plans and dreams to success. Together we will make a big success of this company."

Apparently, Mr. Yett wants to be very honest. At the same time we find that he is sending out what are supposed to be Western Union telegrams throughout the country. These messages which are apparently intended to stampede a person into subscribing to shares in his enterprise are sent on fictitious Western Union Telegraph blanks but are not sent over the Western Union wires. They are sent in envelopes similar to that used by the Western Union with a special delivery stamp on them. The messages state that only a few hours is available for the person receiving them to get in on the ground floor.

We have taken this matter up with the Attorneys of the Western Union and they inform us that they have already taken action on it, and that they object seriously to Mr. Yett using the Western Union in this manner for the purpose of selling stock, and that they have extracted a promise from him that he will discontinue this practice. However, in spite of this promise we know that these fake telegrams were received by people in New York City on Saturday, April the 14th. The Attorneys of the Western Union state that if it does not cease they will take further action.

OUTLOOK FOR THE NORTHWESTERN ROADS

(*Continued from page* 25)

lower operating ratio, net operating income was higher. Other income was reduced in 1922 to the same extent as in the case of the Great Northern, but net income, according to a preliminary statement, equalled $6.07 per share.

Results for January and February of this year have been far superior to those attained in the same months of 1922. Net operating income of $990,000 compares with an operating deficit of $821,000. **For the same traffic reasons that have been mentioned in connection with the Great Northern, it should have a successful year.**

THE CHICAGO & NORTHWESTERN

Chicago & Northwestern has not the large outside investments that the two former companies possess, but although its other income is less, fixed charges are also smaller. The Northwestern's close alliance with the Union Pacific is of great advantage, for while it has remained purely a granger road it obtains a large share of the through traffic which the latter originates.

The Chicago & Northwestern has two classes of stock outstanding. Its preferred is entitled to 7% dividends, and after this rate has been paid on the common the preferred must receive 3% additional before the distribution on the junior issue can be raised. Eight per cent was paid on the preferred for many years and 7% on the common, but the dividends have been reduced to 7% and 5%, respectively.

In 1922, the company covered its preferred dividend five times over, but net income applicable to the common only amounted to about $4.65 per share. In January and February of the current year net earnings were almost a million ahead of 1922. At the present time the preferred is selling at 116 to yield 6% at the existing dividend rate, while the common at 81 yields 6.15%. The small difference in the rate of return is due to the expectation that the dividend on the common may eventually be restored to the former 7% rate. **This possibility, however, now appears rather remote.**

THE ST. PAUL

Each of the above roads earned at very nearly the same rate last year and in a general way their securities occupy the same position. Those of the St. Paul, however, come under an entirely different category. Whereas with the others it is a question of how much they can earn on their stocks, with the St. Paul the problem is when will the company be covering its fixed charges by a sufficiently safe margin to restore its credit?

For the past few years the St. Paul has been incurring annual deficits, but finally appears on the road to recovery. For January and February of this year net operating income aggregated $2,424,000 which contrasts strikingly with the for-

midable deficits piled up in the same period of recent years. The large traffic now being handled points to a continuance of these favorable results and the position of the St. Paul's bonds is likely to be much improved.

The prospects of dividends on either its preferred or common stock is a matter so far in the future that they do not appear to possess any substantial speculative possibilities at present levels. **It may not be long before St. Paul is showing earnings applicable to its preferred issue, but the large re-financing to be done in 1925 makes it desirable that, whatever surplus remains be conserved so as to bolster up the road's credit.**

SCHOOL FOR TRADERS & INVESTORS

(*Continued from page* 41)

tunity to get some cheaper stocks, therefore they withdraw their buying orders.

But these studies of volume and price movements, while unmistakable for the time being, cannot be regarded as infallible any more than if you see the temperature rising thermometer, you can expect it to keep on rising. That is about as good a parallel as one can find.

Bear in mind that the tape is a series of moving pictures, no two alike, each one bearing some relation to those that have passed as well as those that will follow. To a certain extent "coming events cast their shadows before" in the stock market, but the trader's attitude should be somewhat similar to that of a chauffeur who is driving a car. If he is always in the attitude of expecting something, he will be ready for whatever happens.

What are the signs that a stock wants to go up or down?

One of the best signs that a stock *wants* to go up is that it shows persistent strength in spite of weakness in other stocks in the same group or in the rest of the market. If a fairly heavy volume of this stock be thrown on the market, ability to absorb it and advance above the price at which it was sold, is another indication. A stock may be said to *want* to go down when it shows persistent weakness in spite of strength in other stocks and the whole market. Judging the tendency of a stock in this way is a good deal like estimating the character anticipating the actions of certain individuals. Take any crowd of people doing the same thing and you will see some working harder than others in a certain direction, others lagging back. It is the same with stocks. While they are not human, they express human characteristics. Their actions are due to the balance between buying and selling, representing the supply and demand. When there is pressure on a stock it means that somebody is pressing it, either for the purpose of selling long stock, or influencing the market downward so that they can purchase to advantage. If you will realize that stocks are like persons and if you will study their methods, motives, actions, etc., you will

soon get a clearer understanding of what is really going on in the market. This is very different from what certain people say about it.

What are the signs that a stock does not act right on the bull side or the bear side?

This is often said of a stock when it begins to hesitate and act as though it were not ready or willing to proceed with the move that has been under way up to the time mentioned. A stock that has been rising is apt to hesitate when buying demand slackens. In a downward movement it is retarded when the pressure is lightened and the demand begins to come in to offset that pressure. Bear in mind that there is a constant readjustment going on among the stocks, the groups and the market as a whole, and if you once grasp the right principles in judging the market and put out of your mind what somebody says is going to happen, you will be able to apply these principles to individual stocks, groups representing industries or the market as a whole.

Securities and Commodities Analyzed in This Issue

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by investment houses of the highest standing. They will be sent free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street

OPPORTUNITIES FOR THE CONSERVATIVE INVESTOR

Investment suggestions put out by one of the leading New York Stock Exchange firms. Of interest to those investors whose first consideration is security. (246)

SAVING MADE MORE PROFITABLE

A booklet describing a partial payment plan for the purchase of high-grade securities, issued by a well known investment house. (251)

BUILDING AN INCOME WITH GUARANTEED BONDS

A booklet free of cost about bonds free from worry! It shows the way to financial independence and can be read in ten minutes. (255)

INVESTMENT GUIDE

Issued by the oldest first mortgage house in Chicago. It explains how to invest savings at the highest interest rate consistent with safety. (256)

THE OKMULGEE BUILDING & LOAN ASSN.

A booklet describing a real estate security which embraces safety, a dependable income—a tax free investment—State supervision—and yielding 9%. (257)

A GRAPHIC GUIDE TO INVESTMENTS

A highly instructive circular for the careful and discriminating investor who investigates a security before placing his funds. (263)

WHY THE SOUTH OFFERS INVESTMENT OPPORTUNITIES

This pamphlet explains briefly and clearly why it is that the South of today is one of the most attractive sections of the United States in which to invest and why it is that Southern investments yield an average of 1% more interest, with equal safety. A distinct opportunity for investors is described in an understandable manner. (264)

THE PREMIER INVESTMENT

A series of ten articles upon the origin, history and analysis of first mortgages and first mortgage bonds, as published in leading magazines and newspapers. A complete library of information in one volume. Sent free by a nationally known investment house. (265)

HOW TO SELECT SAFE BONDS

It took 38 years to write this important investment book, now free to every investor. Ask for booklet. (267)

PROFIT SHARING BONDS

A booklet describing how a security has returned 92½% to bondholders in slightly over 9 years. (268)

A GUIDE TO BOND INVESTMENT

A book written by an able statistician to aid the individual who desires to make his own choice of securities. (269)

MAY INVESTMENT LIST

Issued by an old established bond house listing Municipal, Railroad, Equipment, Public Utility, Industrial and Foreign Government Bonds. They offer conservative investors a wide range of choice of sound securities with liberal income return. (270)

THE GREENSHIELDS REVIEW

The best review of Canadian securities published. It gives authoritative detailed information on 53 standard Canadian securities, yielding from 5 to 7½%. (271)

A TIME SAVER FOR BOND HOLDERS

A loose-leaf security record for recording income tax data, interest payment dates, maturities, yield, taxable status, etc. Binder & loose-leaf forms furnished on request. (272)

FOREIGN TRADE AND SECURITIES

(Continued from page 19)

hold, without liability to American income tax, an unlimited amount of municipal and State bonds, also Government bonds issued prior to 1917; an unlimited amount of foreign government bonds payable in dollars; stocks of American companies up to a total income (not amount) up to $5,000, and bonds of American companies to a total income of $1,000.

For the foreign investor, particularly the British, who is the most heavily taxed of all, the exemption of municipals and State bonds from taxation holds forth the same advantages that they do to the American investor, although they are subject to some extent to British taxation, and so the particular advantages accruing from the exemption clause must be weighed against the total taxable income.

Foreign government issues payable in dollars, however, are subject to the least handicaps in this regard, and besides are not competed for by the American investor to such a point as to make their yields unprofitably low. For the large European investor, therefore, they represent the best type of permanent investment to be found in the American market, while for the smaller investor, whose income from American sources remains within the $1,000 limit for industrial and railroad bonds and the $5,000 limit for stock income, the latter two classes of securities are the safest.

Bonds of American companies doing business abroad, such as oil companies operating in Mexico or South America, are also by law exempted from United States income tax if held by foreigners, and therefore constitute an ideal medium of permanent investment for them.

"Salting Away" Profits

These considerations apply, however, only to bona-fide "permanent" investors, mostly from Great Britain, Holland, the Scandinavian countries, Switzerland, and other countries whose exchange is near par. The larger part of the recent buying, as has been pointed out, has been for transient investments, as a means of "salting away" profits made in the more unstable currencies until such time as more normal conditions should be restored. Investments of this kind are of the nature of time deposits with a sound bank, and must have above all a high degree of safety and of marketability.

This buying has been mostly in the high-grade issues of all kinds, with relatively little attention to speculative possibilities or to tax features. Because of its transient nature, its influence upon the market should not be overestimated, and the part which it has played in recent months in upholding the high-grade bond market in spite of influence which would otherwise have brought bond prices down may be reversed at any time in case some development should occur which would make European holders anxious to part with their holdings of the best class of American bonds.

SHOULD OUR IMMIGRATION LAW BE REPEALED?

(Continued from page 11)

business are not to be considered in comparison with the good effect. **The immediate gain from an over-supply of cheap labor is not worth the future cost.**

"Therefore I feel sure that Congress will not relax the restrictions which were secured after all acts of Congress tending toward restriction from the first administration of Grover Cleveland to the last administration of Woodrow Wilson were vetoed for one reason or the other. The time will come all too soon when the United States for its own good will have to contain a homogenous people, which we never can be if we again admit immigrants beyond our power of assimilation.

"The proposed plans, as put forth by the National Association of Manufacturers, for a system of selecting, distributing and supervising immigrants is not likely to be adopted on account of treaties, to say nothing of our laws against contract labor and peonage. Arbitrary distribution and supervision would be, in effect, peonage. The proposed proviso of a net quota arrangement, whereby those aliens who leave the country might be supplanted by new immigrants would be, especially in times of real labor need, ineffective. The reason is that in times of prosperity no large number of immigrants would leave good jobs. Those who would leave at such times would be of the better type who would dispose of businesses in order to return to their native lands. In the long run the supplanting process would mean that we merely would exchange superior types of immigrants for poorer types.

"It is well for all to remember that this cannot be a pocketbook problem. It must be considered on a basis different from that by which we gauge such problems as funding the debts owed us by Europe or even the tariff. There may be good reasons for immigration but the need of cheap labor with which to make more money cannot possibly be one of them. The problem transcends all questions having to do with the pocketbook.

"American civilization does not exist primarily to carry on steel mills, mines or factories. They are only means to an end, not an end in themselves.

"Immigration determines the quality of our citizenship and will be the controlling factor in the maintenance or the decay of our American institutions and our form of government.

"Therefore, I think it can be taken as a certainty that those who view the subject broadly will never tolerate its being handled as a mere economic pocketbook problem."

"In my opinion the House Committee on Immigration will offer for the consideration of the 68th Congress during the first ten days of the session a perfected quota bill, the quotas based on the census of 1890. [It is probable that the bill will name 5 per cent of the alien-born population of 1890, or about 400,000 a year, but

as southern and southeastern Europe were but slightly represented in the census of 1890, all but 22,000 of the quota would be allocated to central, uorthwestern and northern Europe, which are not inclined to fill their present quotas. In other words, those parts of Europe that have a surplus population would be practically denied admission to the United States.—Editor.] Many provisions will be carried in the hope of doing away with certain hardships now existing. It is possible that provisions affecting alien seamen will be offered as a separate bill. I believe that no collateral matters should be carried in the restrictive immigration bill. Then the proposition will be a straight open-and-shut, up-and-down matter without confusing side issues."

A CHAT WITH THE EDITOR

(*Continued from page* 5)

gins, no one can tell how far it will go nor how soon the market will discount or overdiscount the business reaction.

Subscribers who are now long of money should have patience. It is not necessary for them to feel that they must constantly be buying something.

Every important stock market move has its period of preparation. We may therefore regard the last several months as a time when the market was preparing to go down. Sooner or later there will come a time when it will lay the foundation for another rise and the situation must be closely watched in order that we may discover the first indication of that stage.

* * *

In the meantime, we are gradually approaching the point where good bonds once more are becoming attractive on their investment merits. The average of forty representative bonds is now around 77 whereas at their peak in 1922, the averages were around 82½. This declining process has been going on for nearly a year. If business has a reaction and funds become more plentiful, money rates will go down, and bonds will again be a purchase. The decline in bonds has already more or less completely discounted the advance in money rates which took place during the past few months. Now it is getting to a point where it should sooner or later discount the more favorable money conditions which may be expected as a result of the prospective easement in business conditions. Many bond opportunities will thus await the investor, if he but has the patience to wait for his opportunities.

TRADE TENDENCIES

(Continued from page 68)

Cotton

Six weeks ago, the Federal Reserve Board openly discussed the possibility that an increase in the interest rate might be necessary to check the increasing tendency to price inflation. At that time, all values were at their peak, and Cotton, which had enjoyed an almost uninterrupted advance for 14 months, had reached 31.59 cents for May delivery. Very few speculators took the Reserve Board's hint, but those who recognized "the iron hand in the velvet glove," have been handsomely rewarded for their foresight. Of all commodities—Sugar not even excepted—Cotton presented every reason to expect prices to soar still higher. Exhaustion of old stocks before the new crop could replenish supplies, was universally conceded, and the question of forced resort to short time by mills was accepted as a certainty, to avert "famine prices." Evidently 31½ cents was not yet recognized as such.

Today, we find cotton 5 cents a pound lower, while all talk of "famine prices" has vanished. A feeling is in the air that the boom period had run its course, and, as a result, manufacturers and jobbers, retailers and domestic consumers, have called a halt on purchases, reasoning that, within ninety days, cotton supplies will again be ample and prices back to normal. Cotton mills, instead of waiting for high prices to force down production, are already curtailing running-time; but, even allowing for such saving of raw material, the carry-over of cotton will probably be the smallest since our Civil War, sixty years ago.

It is obvious that such tactics will cause mill stocks, shelf goods and home reserves to fall to a minimum, in conjunction with the lowest carry-over of raw cotton on record. Under such conditions, the size of the new crop assumes unusual importance. Its start may be considered rather promising—large acreage, increased fertilizer, abundant moisture in the dry areas and ample credit facilities. It is true there is a shortage of labor in many localities, and that no more wet weather is desirable for a while. At this point, it is well to stress the close relationship between weather and labor in making a cotton crop. There is never any trouble in planting the seed, but, where a large acreage is sown, as this year, the demands on labor to keep down the grass and weeds, in a semi-tropical climate, are enormous and exacting. A wet May or June could easily ruin a bright start and raise up the spectre of another short crop, which would be nothing less than a world calamity.

When it is remembered that the combined yields of the past two years have been less than 18,000,000 bales, and that the minimum needs of American cotton for the coming year are placed at 13,000,000, with no reserves to fall back upon, the imperative necessity for a bountiful new crop is plainly apparent.

In view of the ruling popular fight on commodity values, and a favorable crop start, prices may drift lower.

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